

Commonwealth of Massachusetts

**FY2008 Closing/FY2009 Opening
Instructions**

Issued By:

Office of the Comptroller

April 29, 2008

Table of Contents

SECTION ONE INTRODUCTION AND GENERAL INFORMATION	6
<i>Close/Open Meeting.....</i>	<i>6</i>
<i>Statewide Enterprise Systems Security.....</i>	<i>6</i>
<i>New, Consolidated, or Closing Departments.....</i>	<i>7</i>
<i>Single Audit.....</i>	<i>7</i>
<i>Internal Control.....</i>	<i>7</i>
<i>Open Activity (Unspent) Roll – Capital, Trust and Federal Funds Only.....</i>	<i>7</i>
<i>Mandatory Payment Card Industry (PCI) Data Security Standard Compliance.....</i>	<i>8</i>
<i>Categorical Federal Grant Draw Non-Automated Central Draw (NCD) Processing.....</i>	<i>8</i>
<i>Interim Budget.....</i>	<i>9</i>
<i>Prompt Payment Discounts (PPD).....</i>	<i>9</i>
<i>PayInfo Implementation / Go Paperless!.....</i>	<i>9</i>
<i>Electronic Signature.....</i>	<i>10</i>
<i>Interface Coding.....</i>	<i>10</i>
<i>Month End Closing Activity.....</i>	<i>10</i>
<i>Information Delivery.....</i>	<i>10</i>
<i>MMARS Reports.....</i>	<i>11</i>
<i>CIW Support.....</i>	<i>11</i>
<i>Department Resources.....</i>	<i>11</i>
<i>Additional Close/Open Sessions.....</i>	<i>11</i>
<i>Key Contacts.....</i>	<i>12</i>
SECTION TWO QUALITY ASSURANCE.....	13
<i>Section Introduction.....</i>	<i>13</i>
<i>Internal Controls.....</i>	<i>13</i>
<i>Internal Control Questionnaire.....</i>	<i>13</i>
<i>Statewide Single Audit.....</i>	<i>13</i>
<i>Departmental Quality Assurance Review.....</i>	<i>13</i>
SECTION THREE MANAGING APPROPRIATIONS.....	14
<i>Section Introduction.....</i>	<i>14</i>
APPROPRIATION AND ACCOUNT MANAGEMENT.....	14
<i>Expiring Accounts.....</i>	<i>14</i>
<i>Irregular Balances.....</i>	<i>14</i>
<i>Budget Transfers.....</i>	<i>15</i>
EXPENDITURE ADJUSTMENTS.....	15
<i>Expenditure Corrections (EX).....</i>	<i>15</i>
<i>Expenditure Correction (PRADJ).....</i>	<i>15</i>
<i>Expenditure Refund (ER).....</i>	<i>15</i>
<i>Payroll Expenditure Refunds.....</i>	<i>15</i>
<i>Advance Refunds.....</i>	<i>16</i>
CHART OF ACCOUNTS.....	16
<i>Chart of Account Set-up.....</i>	<i>16</i>
<i>Departmental Budgets.....</i>	<i>16</i>
<i>Balances that Forward to FY2009.....</i>	<i>16</i>
<i>Retained Revenue Accounts.....</i>	<i>17</i>
<i>Trust Accounts.....</i>	<i>17</i>
SECTION FOUR FEDERAL GRANTS AND COST ACCOUNTING.....	18
<i>Section Introduction.....</i>	<i>18</i>
<i>Establishing/Modifying a Federal Grant in MMARS.....</i>	<i>18</i>
<i>VPA.....</i>	<i>19</i>
<i>Reconciling Weekly Draw Requests.....</i>	<i>19</i>
<i>Reconciling FY2008 Negative (Irregular) Unexpended Balances.....</i>	<i>20</i>
<i>Cross Fiscal Year Transaction Posting.....</i>	<i>20</i>
<i>Schedule of Expenditures of Federal Awards - Sub recipient Monitoring.....</i>	<i>20</i>

<i>Schedule of Expenditures of Federal Awards – Other Items</i>	<i>20</i>
<i>Cost Accounting.....</i>	<i>21</i>
<i>Recovery of Fringe Benefits, Payroll Taxes and Indirect Costs</i>	<i>21</i>
SECTION FIVE VENDOR/CUSTOMER.....	22
<i>Section Introduction.....</i>	<i>22</i>
<i>MMARS Document ID Numbering.....</i>	<i>22</i>
<i>VendorWeb.....</i>	<i>22</i>
<i>DISRQ and DISBDQ.....</i>	<i>22</i>
<i>Prompt Pay Discounts</i>	<i>22</i>
<i>W-9 Certification</i>	<i>22</i>
<i>Unpaid Checks.....</i>	<i>23</i>
<i>Keep the Vendor Customer File Current.....</i>	<i>24</i>
SECTION SIX CONTRACTS AND TAX MANAGEMENT	25
<i>Section Introduction.....</i>	<i>25</i>
<i>State Finance Law Reminder</i>	<i>25</i>
<i>Tax Management.....</i>	<i>25</i>
<i>Department Head Signature Authorization (DHSA).....</i>	<i>26</i>
<i>Contractor Authorized Signature Listing (CASL).....</i>	<i>26</i>
<i>Contract Submission Reminders</i>	<i>26</i>
<i>Records Management.....</i>	<i>27</i>
<i>Document Comments</i>	<i>27</i>
<i>Exercising Contract Renewal Options.....</i>	<i>27</i>
<i>Extending Contracts – Limited Thirty-day Contract Extension.....</i>	<i>28</i>
<i>Settlements and Prior Year Deficiencies.....</i>	<i>28</i>
<i>MMARS Transactions Must Match Underlying Contract and Amendments.....</i>	<i>30</i>
<i>Effective Dates and Obligations are subject to State Finance Policy, Quality Assurance Reviews and Audits</i>	<i>30</i>
<i>Delegation of MMARS Processing Authority.....</i>	<i>31</i>
<i>Multi - Year Encumbering.....</i>	<i>31</i>
<i>Introduction</i>	<i>32</i>
<i>ANF Platform.....</i>	<i>33</i>
<i>Encumbrance Contract Management</i>	<i>33</i>
<i>Late Encumbrance Processing Tuesday 7/1 – Friday 8/29</i>	<i>34</i>
<i>Net Zero Dollar Encumbrance Adjustments for FY2008 from Tuesday 7/1 – Friday 8/29.....</i>	<i>34</i>
<i>FY2008 Encumbrance Corrections (CEC and GAEC) Processing Deadlines</i>	<i>35</i>
<i>Encumbrance Management Opening.....</i>	<i>35</i>
<i>Expenditure Classification Handbook</i>	<i>35</i>
<i>MMARS Document ID Numbering.....</i>	<i>36</i>
<i>Contract Roll.....</i>	<i>36</i>
<i>Preparation for the Contract Roll.....</i>	<i>36</i>
<i>Open Activity (Unspent) Roll – Capital, Trust and Federal Funds Only.....</i>	<i>37</i>
<i>Tax-Exempt Lease Purchases, Term Leases, and Rentals (Recurring Payments).....</i>	<i>37</i>
<i>Discounts</i>	<i>38</i>
<i>FY 2008.....</i>	<i>40</i>
<i>LATE ENCUMBRANCE TRANSMITTAL FORM.....</i>	<i>40</i>
SECTION SEVEN INTERDEPARTMENTAL BUSINESS (ISAS AND CHARGEBACKS).....	41
<i>Section Introduction.....</i>	<i>41</i>
<i>State Finance Law Reminder</i>	<i>41</i>
<i>Interdepartmental Service Agreements in Subsidiarized Accounts.....</i>	<i>42</i>
<i>Seller Budget Line Roll for FY2008 (Existing Multi Year ISAs).....</i>	<i>42</i>
<i>ISA Seller Account Allotments</i>	<i>42</i>
<i>ISAs Funded with Trust and Federal Funds – Indirect Costs Must be Negotiated as Part of ISA Budget</i>	<i>43</i>
<i>Fringe Benefit Costs</i>	<i>43</i>
<i>Seller Budget Line Activity.....</i>	<i>43</i>
<i>Seller Account Carry-Forward Process for Federally Funded/Multi Year ISAs.....</i>	<i>44</i>
<i>ISA-Related BGCN/BGCS Completion.....</i>	<i>44</i>
<i>Document Comments</i>	<i>44</i>

<i>Interdepartmental Chargebacks – Internal Vendor Code</i>	45
<i>Intergovernmental Encumbrances (IE)</i>	46
<i>Interdepartmental Voucher (ITA)</i>	46
SECTION EIGHT ACCOUNTS PAYABLE MANAGEMENT	47
<i>Section Introduction</i>	47
<i>Public Information and Privacy Concerns</i>	47
<i>Payment Request</i>	47
<i>Processing Payment Requests</i>	47
<i>Final Payment Request on Hold</i>	48
<i>Accounts Payable Period</i>	48
<i>Late Submission of Invoices – Liquidation of Payment</i>	49
<i>Recurring Payments</i>	49
<i>Request for Advance (RA), Expenditure of Advance (EA), Advance Refund (AR)</i>	49
<i>Closing Advances</i>	49
<i>Departments with Emergency Payroll Dynacash Accounts</i>	50
<i>Prior Year Deficiencies</i>	50
<i>Payment Request</i>	50
<i>Advances</i>	50
<i>Vendor Communications - Invoice Number and Payment Remittance Information</i>	51
SECTION NINE PAYROLL/LCM MANAGEMENT	52
<i>Section Introduction</i>	52
<i>Expiring Accounts – Limits on Expenditure Corrections</i>	52
<i>Split Year (Cross FY) Payroll</i>	52
PAYROLL MANAGEMENT	52
<i>New Object Code</i>	52
<i>Contractor Payroll Contract Employees</i>	53
<i>Rules</i>	53
<i>Payroll Rejects (PRLIF/PRLDE)</i>	53
<i>Regular Employee and Contractor Payroll Refunds (PRRV)</i>	53
<i>Payroll Hold Transactions</i>	54
<i>ANF Platform</i>	54
<i>Accounts Payable Payroll</i>	54
<i>Departments with Emergency Payroll Dynacash Accounts</i>	55
<i>Payroll Processing</i>	55
<i>Split Year</i>	55
PAYROLL ACCOUNTING	55
<i>HR/CMS Processing</i>	55
<i>LCM Rollovers</i>	56
<i>Payroll Certification</i>	57
<i>MMARS Rollover Validation</i>	57
<i>New Fiscal Year Processing</i>	58
<i>New Fiscal Year and Accounts Payable</i>	58
<i>How Do I Learn More?</i>	59
SECTION TEN REVENUE MANAGEMENT AND CASH RECEIPTS	60
<i>Introduction</i>	60
<i>Key Cash and Revenue Management Dates:</i>	60
<i>Cash Receipts (CRs)</i>	61
<i>Cash Management Central Remit (CMCR) Lockbox and Electronic Payment (ePay) Processing</i>	61
<i>Credit Balances</i>	61
<i>Revenue Refunds Type One</i>	62
<i>Intercept Refunds</i>	62
<i>Statutory vs. GAAP Receivables</i>	62
<i>RE Roll Information</i>	62
<i>Payment Plan</i>	63
<i>Maintaining One Summary Receivable across Fiscal Years</i>	63
<i>Debt Collection</i>	63

<i>Receivable Modifications Totaling \$100,000 or More</i>	<i>64</i>
<i>Write-Off.....</i>	<i>64</i>
<i>Cash Reconciliation.....</i>	<i>64</i>
<i>Electronic Payments (ePay).....</i>	<i>65</i>
<i>Payment Card Industry Compliance (PCI) Initiative.....</i>	<i>66</i>
SECTION ELEVEN GAAP AND FIXED ASSETS	67
<i>Section Introduction.....</i>	<i>67</i>
<i>Generally Accepted Accounting Principles (GAAP).....</i>	<i>67</i>
<i>Fixed Assets</i>	<i>67</i>
SPECIAL HIGHER EDUCATION REPORTING.....	68
<i>Statutory Basis.....</i>	<i>68</i>
<i>NEW** GASB Statement 48 Implementation.....</i>	<i>69</i>
<i>NEW** GASB Statement 49 Implementation.....</i>	<i>69</i>
FY2009 OPENING	69
<i>Generally Accepted Accounting Principles (GAAP).....</i>	<i>69</i>
<i>Fixed Assets Reporting Departments Other Than Higher Education.....</i>	<i>70</i>
<i>FY2008 and FY2009 GAAP Pronouncements to be Implemented</i>	<i>70</i>

Section One

Introduction and General Information

These instructions highlight the most important aspects of the Closing and Opening of MMARS. To find a specific subject, use the "Find" feature in the web browser to search for the topic. Please use these instructions along with the key date matrix and information given at the Closing and Opening workshops to assist you with Closing FY2008 and Opening FY2009. Please review e-updates and Close/Open updates posted on the [Comptroller's \(CTR\) Web Portal](#).

Close/Open Meeting

Chief Fiscal Officers (CFO) and staff with fiscal responsibilities are invited to attend the Office of Comptroller's annual Closing/Opening meeting. Please register at Comptroller's Training and Event Portal for the sessions below.

<p>General Overview Sessions Date: Tuesday, May 13, 2008 9:00 – 9:30 A.M. Registration and Continental Breakfast 9:30 A.M. to 12:00 P.M. General Session 12:45 P.M. – 2:30 P.M. Single Audit Meeting Federal Reserve Bank Auditorium, 600 Atlantic Avenue, Boston, Massachusetts</p> <p>Date: Thursday, May 15, 2008 9:30 – 10:00 A.M. Registration and Continental Breakfast 10:00 A.M. to 12:00 P.M. General Session 12:45 P.M. – 2:30 P.M. Single Audit Meeting Hoagland-Pincus Conference Center, 222 Maple Ave., Shrewsbury (UMASS Worcester), Massachusetts</p>
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Statewide Enterprise Systems Security

As part of your annual Internal Control Review and Fiscal Year Opening responsibilities, Department Heads need to verify security designations for all staff to all systems associated with their UAID. To support this effort, new reports have been created and will be available in DocDirect in early May. These reports will detail levels of staff access to MMARS, HR/CMS, and CIW.

The Annual Security Approval by the Department Head prior to opening the Fiscal Year will certify that Enterprise System Security Reports have been reviewed and approved by the Department Head. Specifically, the approval will document the following:

- Staff with MMARS Fiscal Administrators roles (DFISC) or cross-functional access (such as staff with both Contracts and Payments ability) have been reviewed and confirmed and that the Department's Internal Controls reflect individual Restrictions and Limitations by user/UAID.
- Staff with delegated Department Head Signature Authorization (DHSA) are approved.
- The HRCMS Security Report has been reviewed and access approved.
- The CIW Security Report has been reviewed by the Department Head, access to personally identifiable data is approved.

In addition, the Department Head confirms that policies prohibit the removal of electronic data from the state network and has informed all staff of their responsibilities in protecting this sensitive data.

All Department Heads will be required to execute the Annual Department Head Approval agreeing that Department staff will conduct all fiscal business in accordance with state finance law, including but not limited to Massachusetts General Laws Chapter 29 and Chapter 7A, and laws, regulations, policies and procedures of the Office of the Comptroller. This is a reminder that Departments are responsible for compliance with the [Expenditure Classification Handbook](#), [CTR Policies](#), [CTR Forms](#), [CTR Job Aids](#), [Fiscal Year Close and Open Instructions](#), [Fiscal Year Updates](#) and [E-Updates](#) available on the [Comptroller Web Portal](#).

The new security policy will be reviewed at the annual Security Officer Briefing on May 21st; Register for this session on the [CTR Training and Meeting Schedule](#).

New, Consolidated, or Closing Departments

If your department is new, consolidated, closed, or modified in of the General Appropriation Act (GAA) or any other legislation, contact the Accounts Payable Bureau at CTR for a copy of the “New, Consolidated, or Closing Department Checklist.” Transition meetings will be scheduled accordingly.

- Departments and Secretariats are reminded that any reorganization must be authorized in legislation and may not be accomplished administratively.
- Department Heads must certify that all departmental Staff work for the department and not any other Department. (M.G.L. c. 29, s. 31.)
- Programs cannot be transferred to other departments without legislative authorization.

Please note that all new staff must be properly trained and familiar with state finance law policies, including this document.

Single Audit

KPMG LLP will conduct the Commonwealth’s Statewide Single Audit. Brock Romano is the audit partner for the Commonwealth. As in previous years, this audit will be a joint undertaking of the CTR, KPMG and the Office of the State Auditor. Information for departments on items of interest found as part of the Single Audit of 2007 that should be used as ideas for improvement for all departments are contained in [FY2008-17: Areas of Audit Issues from 2007 – Preparation for 2008](#). The reports from FY07 may be found on the [Financial Reports page](#) of the CTR Web Portal.

Internal Control

Internal controls are tools to assist a department in meeting its goals by identifying risks and establishing policies and procedures to mitigate those risks. The Office of the Comptroller, in cooperation with the Office of the State Auditor, has defined an internal control plan to be a high level summary of goals, risks and mitigating controls, supported by lower level policy and procedures. The internal control plan, required of each department, should be reviewed annually, or as conditions warrant.

The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. In preparation for this action, please review and, if necessary, update your internal control plan and supporting departmental policies and procedures.

FY2008 ANF Year End Encumbrance Review Requirement Begins Saturday May 24th

Please see the [section](#) detailing this requirement on page 33.

Open Activity (Unspent) Roll – Capital, Trust and Federal Funds Only

The Open Activity Roll will work as follows and will occur on August 30th:

- The roll affects the RQS, CT, and PC transactions that have unspent funds in account types 2CN, 3TN, 3TX and 4FN.
- The unspent amount in these accounts is rolled if the encumbrance has at least one **open BFY2009 accounting line**.
- If there is a matching BFY2008 accounting line within the same commodity/accounting grouping, “the unspent monies in the BFY08” accounting lines in these account types will be **moved and combined** into that matching BFY2009 accounting line This matching accounting line must have all the same chart of account elements as the original. The roll will look only for a matching accounting line within the same commodity/accounting grouping.
- **If there is no matching accounting line** within the same commodity/accounting grouping, then a **new accounting line will be created**.

- Service dates on commodity lines will also be modified if the service dates do not extend into BFY2009. For those commodity lines that do not extend into BFY2009, the service end date will be changed to the latest end date on the encumbrance.
- Departments should be aware that the accounting line number created may not be sequential. For example, if accounting lines 1 and 2 already exist, the next accounting line created by the roll process might not necessarily be 3. In some cases, it may be sequential but in other cases it may not. Departments should be aware of this when reviewing their transactions.

Mandatory Payment Card Industry (PCI) Data Security Standard Compliance

Given the high costs related to identity and credit card theft the credit card associations have created common industry security requirements for any entity that accepts credit card payments. All Commonwealth entities that process transmit, or store credit card payment data (internally or through a 3rd party processor) must adhere to the PCI standards. Departments that accept credit card payments through ANY means (lockbox, mail, cashier window, telephone, or web application) must now annually validate compliance with PCI security standards. Departments must validate PCI compliance for current applications and prior to implementing any application or program that will accept credit card payments.

The Office of the Comptroller (CTR) has engaged two nationally certified PCI compliance contractors to assist Departments with meeting initial and ongoing PCI compliance validation. Departments that are using the Statewide E-Payments contract are currently undergoing the PCI compliance validation process. CTR will be rolling out the availability of the PCI Compliance contract statewide to any Commonwealth Department accepting credit card payments. We will notify Departments when this contract is available. For those Departments interested in starting this process prior to the availability of the contract statewide, please call Patricia Davis at or 617-973-2332. More information about PCI Compliance can be found at the [PCI Security Standards Council website](#). Please see [FY2008#18: Payment Card Industry \(PCI\) Data Security Standard Compliance Policy](#) for more information.

ePay

Part of the Commonwealth's eGovernment Initiative includes a contract to facilitate electronic payment implementation by departments. The Statewide Contract for Electronic Payment Processing Services (PRF05designatedOSC) gives eligible Commonwealth entities the option to offer their customers a variety of payment methods. Customers may pay for goods, services and other obligations via Automated Clearing House transactions (ACH,) credit cards (VISA, MasterCard, Discover and/or American Express), and PIN debit cards. The "ePay" transactions can be processed over the web, over the phone via Interactive Voice Response (IVR), or at the point of sale. CTR, with designation from OSD, administers the contract. The vendors currently selected under this contract and menu of services offered are:

1. EDS – who provides the Internet and IVR applications and access to the ACH banking network;
2. Bank of America (BoA) – who provides credit card processing for VISA, MasterCard, and Discover, and may also process American Express transactions; and
3. American Express (AMEX) – who can process their own credit card transactions without going through Bank of America.

Each department may facilitate paying for transaction fee obligations by contacting Jennifer Hewitt or Debra Graham at ANF and exploring the use of a reserve account set up for that purpose. Compliance with the Payment Card Industry (PCI) Data Security Standard (DSS) is solely a department's responsibility if they are not using the Electronic Payment Processing Services master service agreement referred to previously. If using the MSA, the Office of the State Comptroller will help facilitate the initial stage of compliance, but not any follow-up consulting. For more information on this, contact Patricia Davis at 617-973-2332.

Categorical Federal Grant Draw Non-Automated Central Draw (NCD) Processing

Currently there are categorical federal grants that are established in MMARS under the Non-Automated Central Draw (NCD) Process. These categorical federal grants will be reviewed by CTR to ensure that they contain specific prohibitive language that exempts them from being processed via the Automated Central Draw (ACD) Process. Departments must submit specific documentation that supports establishing a categorical federal grant in MMARS under the Non-Automated Central Draw (NCD) Process.

Interim Budget

CTR and Administration and Finance will submit an Interim Budget request in the event that the GAA is not passed by the Legislature and signed by the Governor by July 1st. This will provide funding for the continuation of essential services across the Commonwealth. While no new programs or projects are supported as part of the interim budget, all routine department business to carry out department missions is included (i.e., payrolls, client benefits, leases, goods and services).

Once notified that the Interim Budget is signed, departments should proceed with routine business, including paying bills in 30 days. All activity conducted under an interim budget will be subject retroactively to the conditions and restrictions included in the GAA when signed into law. Departments must not undertake any activities which they have reason to believe will not be supported by the relevant appropriations and other provisions of the GAA, specifically, any obligations which are not supported by an appropriation that appears in both the House and Senate Budgets. Further detail on operating under an interim budget can be found in [Administrative Bulletin 9](#). If there is a question about whether an account will be funded, the CFO should confer with ANF.

In addition to ensuring the availability of sufficient funding to support an expenditure, departments are responsible for determining the appropriate object code classification and legal requirements for any planned expenditure from the [Expenditure Classification Handbook](#), PRIOR to incurring an obligation. Departments unable to identify a particular expenditure by object class and object code or having questions should contact CTR's Accounts Payable Bureau, Contracts Unit or Legal Unit for guidance.

Prompt Payment Discounts (PPD)

The Commonwealth has business relationships with thousands of business entities totaling billions of dollars, offering a significant base for Prompt Pay Discounts. It is mutually beneficial to negotiate and include Prompt Pay Discount terms in all new and amended contracts with all vendors/contractors. Contractors benefit from Prompt Pay Discounts because they result in improved cash flow and predictable payment stream for commodities or services rendered. The Commonwealth benefits because vendors/contractors reduce the cost of products and services through the applied discount. Departments must check the terms of discounts on department initiated contracts and statewide Master Agreements (MA) to identify the prompt payment discount options available to ensure maximum savings.

Departments should review and process all payment requests in MMARS in a timely manner. The goal of the Commonwealth is to process payments within 9 calendar days of invoice receipt. This goal will allow MMARS to take the maximum discount available or, if none was negotiated, will support the Commonwealth [Bill Payment Policy](#).

To assist with department analysis of payments made and discounts taken or missed, CTR Memo FY2007-20 provides starter queries that departments can run in the Commonwealth Information Warehouse (CIW). In addition, the report NAP630W is now available in DocDirect for a month end listing of discount opportunities missed.

Understanding the potential savings to the Commonwealth, CTR/OSD continue to work together promoting PPD to assist departments so that new/modified contracts will include standard discount terms. For further guidance on Prompt Payment Discounts please see the [Prompt Payment Discounts](#) policy.

PayInfo Implementation / Go Paperless!

Currently, PayInfo allows employees and contractors paid by HR/CMS to access payroll information with an Internet connection 24/7. Payroll information is available on the Thursday before the Friday payday. PayInfo provides access to 35 pay periods of data as well as an unofficial copy of the W-2.

Activation of PayInfo for everyone will allow the Commonwealth to meet a substantial long term savings goal. Savings involve both dollars (over \$2 million statewide) and environmental impacts, when you eliminate paper pay advices: no paper, no envelopes, no bi-weekly treks into Boston and additional administrative time savings. Successful paperless payroll implementation needs the full support and participation of each department's HR, Payroll, Labor Relations and management staff. Elizabeth Faherty, tel. 617-973-2689, is available to assist your department with the implementation of

PayInfo and getting the department to go Paperless. See [FY2008#19: Efficiencies in State Government Paperless Payroll Remittance](#) for more information.

Electronic Signature

An electronic signature takes the place of a “wet” signature when made in accordance with state and federal electronic signature requirements. Electronic signatures are limited to MMARS documents (and certain on-line bids through Comm-PASS) and may **NOT** be used for underlying supporting documentation (such as contract documents, or any other document requiring a department head signature.). Although state law authorizes electronic signatures, the Commonwealth is still in the process of developing standards for using electronic signatures, which will be issued by the Supervisor of Public Records and the Records Conservation Board, in cooperation with the Information Technology Division (ITD) and guidance from CTR.

Interface Coding

The correct fiscal year dates must be included on all interface files representing either FY2008 or FY2009 transactions.

For files containing FY 2008 transactions sent through June 30th, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2008

AFP (Accounting Fiscal Period) = 12

BFY (Budget Fiscal Year) = 2008

For files containing FY 2008 transactions sent after June 30th, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2008

AFP (Accounting Fiscal Period) = 13

BFY (Budget Fiscal Year) = 2008

For files sent containing FY 2009 transactions, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2009

AFP (Accounting Fiscal Period) = 01

BFY (Budget Fiscal Year) = 2009

Month End Closing Activity

Departments should perform all month-end activity within 5 business days of month end. For example,

Month	Last Business Day	5 Business Days After Month End
April	April 30 th	May 7 th
May	May 30 th	June 6 th
June	June 30 th	July 8 th ¹

Information Delivery

Standard reports produced from the MMARS system as well as from the Commonwealth Information Warehouse (CIW) will be published for both Budget Fiscal Years 2008 and 2009 until FY 2008 is closed. There are some MMARS reports via the CIW web portal that will display both open fiscal years in the same report version. There are no special preparations that CIW end-users need to make to their queries in advance of the fiscal year roll. MMARS data in the CIW has been structured to present data for all fiscal years through common views.

¹ CRs that reference REs must be done by July 3rd in preparation for the RE roll July 5th. PRRFC and PRRFPs must be done by July 11th.

MMARS Reports

MMARS offers a standard set of reports for ongoing financial management, operations and reporting. Reports that are based on the source system (identified by an "S" in the seventh position of the report ID) are accessible through the [Document Direct web portal](#). Reports that are based on the Commonwealth Information Warehouse (CIW) (identified by a "W" in the seventh position of the report ID) are available via the Document Direct web portal as well as via the CIW Web Portal. Please see the [MMARS and CIW Reports Policy](#).

CIW Support

The CIW is implementing a new production query server to enhance user's query performance and to deliver next day data. MMARS and LCM data is now available for querying in the new production query server. This will require a new ODBC connection. The new ODBC driver and installation instructions are available on the [CIW website](#). HRCMS Payroll data and Classic MMARS data is not currently available in the new production query server but will be implemented during the next phase. The existing driver for the current CIW production query server will be required to query HRCMS Payroll and Classic MMARS data.

Training in the use of MMARS/LCM and HR/CMS payroll data in the CIW is provided by CTR Training Unit. Details related to this training may be found at the [CTR Web Portal](#). End-users may also call the Commonhelp Service Desk at 1-866-888-2808 for questions about data in the CIW and for assistance with their queries of the data.

The CIW team hosts quarterly User Group Meetings; dates and planned agendas are posted on the [CIW website](#). In addition, users may bring their query questions to scheduled drop-in sessions for assistance. Details regarding time and locations for these sessions are also available on the CIW website as well as the CTR Web Portal.

Department Resources

Comptroller's Web Portal

The [Comptroller's Web Portal](#) is a web-based portal providing user support information, MMARS resources, and services for users. The CTR Web Portal is your "one-stop" information center for policies, procedures, fiscal updates, training, job aids, forms, and other resources needed to conduct departmental day-to-day business.

MMARS Helpdesk Hours of Operations

The Help Desk is open Monday through Friday, 8:00 A.M. – 5:00 P.M. and can be reached by calling 617-973-2468.

The Help Desk is available for users with questions that cannot be answered using the CTR Web Portal. As a reminder, all calls must be channeled through the Help Desk to make sure issues are accurately logged and resolved, providing users with a single point of contact for support.

MMARS On-line availability for Saturdays and Holidays

MMARS is available on state holidays that fall Monday through Friday but no cycle is run that night. Predictive payroll reports from LCM do run if the night is one of the scheduled predictive nights. The [E-update](#) and [Daily MMARS News](#) will be used to communicate Saturday on-line availability.

Additional Close/Open Sessions

If the Close/Open procedures are new to you, please register for the following sessions and use the [MMARS Glossary](#) to assist you with new terms.

- Close/Open for Beginners – Tuesday, May 20 and Friday, May 30
- Close/Open for Federal Grants – Thursday, June 5

Register for these sessions via the [Comptroller's Training/Meeting Schedule](#).

Key Contacts

CTR maintains a database of department employees, formally appointed by a department head, who are responsible for the department's compliance with various aspects of state finance law. CTR uses this database to communicate information and relies on these individuals as the knowledge base of the departments in their areas of expertise. These employees are *appointments* by the department head with very specific duties. The duties of these employees are described in the document [Key State Finance Law Compliance Responsibilities](#). Please review the current list within your Department Head and forward any changes. We recommend that the Security Officer be responsible for managing Department Head Signature Authorizations approvals by the Department Head prior to giving security access.

The Internal Control Officer should be responsible for ensuring that the DHSA, MMARS security, and Key Appointments are up to date, both at the department and at the CTR. These responsibilities are vital for maintaining the series of reliance's CTR uses to approve the warrant. It is critical that departments notify CTR promptly of any changes so that we can accurately communicate information to your department.

Similar to Department Head Signature Authorization, appointments to these roles cannot be made to contractors, contract employees, non-employees or employees of another department, and should not be shared among multiple departments.

Chief Fiscal Officer (CFO)
Internal Control Officer (ICO)
MMARS Liaison
General Counsel

Payroll Director
Security Officer
GAAP Liaison
Single Audit Liaison

Section Two Quality Assurance

Section Introduction

The Quality Assurance Bureau assists the Office of the Comptroller's mission by allowing the Comptroller to delegate the approval of low risk transactions without pre-audit, and monitoring this activity through review of department controls. As part of delegation, departments must adhere to relevant state and federal laws, and Commonwealth regulations, policies and procedures for all of their fiscal business.

Internal Controls

[Chapter 647 of the Acts of 1989](#), *An Act Relative to Improving the Internal Controls within State Agencies* establishes the minimum standards for internal controls. It requires each department to have an Internal Control Officer (ICO) who is responsible for ensuring the department has a written Internal Control Plan, to review and update its plan annually or as conditions warrant, and to evaluate and implement all audit recommendations. Each department head must designate the internal control officer at the level of deputy or assistant agency head, and the ICO must report all unaccounted for variances, losses, shortages, or thefts of funds or property to the Office of the State Auditor (OSA) immediately.

The CTR is required to develop internal control guidance for departments and updated its [Internal Control Guide](#) in September, 2007. The Office of the State Auditor includes internal control reviews in its audit plan and the CTR Quality Assurance Bureau includes them in its quality assurance review plan.

Internal Control Questionnaire

The Internal Control Questionnaire (ICQ) is designed to give the Comptroller and auditors insight into departmental internal controls. It is divided into sections that collect information on various department business practices. A separate section contains the department representations. The ICQ was issued on April 28 via [Comptroller Memo FY2008#20: Internal Control Questionnaire and Department Representations Due May 15, 2008](#). For assistance in accessing your department's ICQ, please contact the MMARS Help Desk at 617-973-2468.

Statewide Single Audit

As in previous years, the Internal Control Questionnaire will be the first step in the Statewide Single Audit process. The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. In preparation for this action, please review and update your internal control plan and supporting departmental policies and procedures.

Departmental Quality Assurance Review

The CTR Quality Assurance Review Program is comprehensive – encompassing all fiscal transactions and CTR business areas. The program has two components – Departmental QA Review and Issue Specific Review. The Departmental QA Review validates, through the examination of documents, supporting referenced documentation and query results that the department's internal controls provide reasonable assurance that departments are adhering to Massachusetts State Finance Law and the regulations, policies and procedures issued by the Office of the Comptroller. The Issue Specific Review focuses on a fiscal transaction or process across all departments in the Commonwealth.

Section Three

Managing Appropriations

Section Introduction

This section highlights procedures for effective management of accounts through the FY2008 closing / FY2009 opening process. It provides detailed information regarding appropriations and balances of accounts that transition to FY2009. Account management should be a primary concern when scheduling transactions. It is the department's responsibility to coordinate Secretariat and Executive Office of Administration and Finance (ANF) approval for any prerequisite transactions.

CLOSING

Appropriation and Account Management

Departments should perform (monthly) reconciliation of all accounts within 5 days of month end. For example, departments should have reconciled all activity for July 2007 through April 2008 and entered all necessary adjusting entries by May 7, 2008.

Expiring Accounts

Departments are reminded that if accounts are not re-authorized by legislation as of July 1st, departments may not continue business in FY2009 including services of employees or contractors in these accounts. Contracts must be terminated or suspended; personnel must be terminated; and/or contracts or personnel must be transferred to other appropriate accounts authorized for these types of expenditures.

Note: Expenditures incurred against alternate accounts may not be retroactively transferred to an account that may be re-authorized unless specifically provided in the legislation. Please see [Expenditure Correction Policy \(EX\)](#) for restrictions. Please contact Dianne Handrahan at 617-973-2324 for assistance.

Irregular Balances

Irregular balances are defined as negative uncommitted, unexpended, accrued cash or expended cash balances in the MMARS budget query (BQ) screens. Several scenarios can cause an account to have a negative balance. For example, expenditures in excess of revenue received or inadequate budgeting for fringe and indirect can cause irregular balances.

Fringe benefits, payroll taxes and indirect costs are not required to be encumbered and the charges will process regardless of the Expenditure Ceiling. To avoid negative balances at either year-end or upon termination of funding, departments must ensure that fringe benefits, payroll taxes and indirect costs are adequately budgeted (including ISAs) for assessable expenditures posted to an open Accounting Period including the Accounts Payable Period. For more information, see Section Four.

It is important to identify accounts that are or may go negative. For budgetary accounts, departments should begin reviewing account balances after the final allotment. The Comptroller's Office will be contacting departments that have accounts with negative balances to assist in resolving the problem. Departments are encouraged to contact the Comptroller's Budgetary Unit for assistance in resolving negative balances.

All budgeted and non-budgeted irregular balances **MUST** be resolved by **June 30th** unless specifically authorized in statute. All federal grant irregular balances must be resolved by **October 31st**.

If departments have reason to believe that actual collections in a retained revenue or ISF account authorized to spend in advance of receipts will fall short of their initial projections, they must immediately notify the Executive Office of Administration and Finance and the Comptroller's General Accounting Bureau in writing.

Budget Transfers

Transfers for budgeted funds must be authorized in either the department's enabling statute or in another legislative action. Transfers between appropriations necessary for FY2008 activity must be submitted to the General Accounting Bureau for review/approval by June 13, 2008. Transfers between subsidiaries for Executive Branch Departments are approved by ANF, and must also be submitted by June 13, 2008.

Expenditure Adjustments

Expenditure Corrections (EX)

An expenditure correction is allowed when a department, through its reconciliation process, determines that a coding error has occurred. The EX is a zero-sum document – the accounting lines must net to zero – and requires a justification in the Comments field. It is submitted through workflow to the Comptroller's General Accounting Bureau for review and approval. Departments are reminded to use Budget Fiscal Year 2008, Accounting Period 13 (for July 2008). An EX needed to correct final 2008 activity must be submitted by August 29, 2008.

For the specific conditions under which an EX is allowed, please refer to the [Expenditure Correction Policy \(EX\)](#).

Expenditure Correction (PRADJ)

An expenditure correction for FY2008 payroll activity must be entered into LCM as a LARQ. LARQs require overnight processing to then create the PRADJ in MMARS. Departments should record the justification for the PRADJ in the Comments field. All LARQ Documents for FY2008 should be entered into LCM by August 29, 2008.

Expenditure Refund (ER)

In accordance with the cash cutoff policy, a refund from a vendor on or before June 30th for an FY2008 expenditure must be deposited into the bank by noon of July 1, 2008 in order to update Budget Fiscal Year 2008. ER Documents for FY2008 must be entered into MMARS by July 3rd. The ER is a zero-sum document – the accounting lines must net to zero – and requires a justification in the Comments field. It is submitted to workflow to the Comptroller's General Accounting Bureau for review and approval. When processing an FY2008 ER between July 1st and July 3rd, departments are reminded to use Budget Fiscal Year 2008, Accounting Period 12 – which reflects the same accounting period as the cash received.

Refer to the Expenditure Refund Policy for refunds from a vendor for a FY2008 payment after the cash cutoff date.

The Office of the Comptroller is currently working on refinements to the ER policy. We will post these changes as an update to the existing Expenditure Refund Policy (ER) when available. For additional guidance on ER processing, please refer to the [Expenditure Refund Policy \(ER\)](#).

Payroll Expenditure Refunds

FY2008 payroll paid in error and recovered from an employee must be deposited into the bank by noon on July 1, 2008 to update Budget Fiscal Year 2008. Departments should immediately enter the PRRV into MMARS and submit the PRRV form with backup to the State Retirement Board for proper adjustment of the withholdings. CTR's General Accounting and Payroll Bureaus process the required documents in MMARS and HR/CMS. It is the department's responsibility to reconcile the PRRV document with the PRRFP/PRRFC document.

FY2008 Payroll Refund Receipt Voucher paperwork is due to the State Retirement Board through April is due on June 6, 2008.

For additional guidance please refer to the [Job Aid for the PRRV](#).

Advance Refunds

As with all cash-based activity, payroll advance refunds for FY2008 should be deposited into the bank by noon on July 1st. The corresponding AR should be entered into MMARS prior to July 3, 2008 and will workflow for to the Accounts Payable Bureau for review and approval. Departments with non-payroll advances should complete the advance refund process by August 27, 2008.

OPENING

Chart of Accounts

Chart of Accounts data elements are the foundation of the financial management system. Changes to the department's Chart of Accounts need to be established prior to any FY2009 activity.

Considerations for Chart of Account Development:

The following questions should be considered in determining the right level of coding for your department:

- What organizational information did you report in FY2008? Was it detailed properly or is additional information necessary?
- Is your department planning any major re-organization for FY2009? Did your department undergo a re-organization during FY2008?
- What functional information do you currently access? Do your reporting needs require you to review financial data by services your department provides?
- Do you spend from federal grants or capital appropriations?
- What information is requested by both internal and external entities that are difficult for you to provide?

Chart of Account Set-up

Changes to chart of account elements **controlled by Departments** (i.e., activity, function) must be submitted to the Comptroller's Department Assistance Bureau using the [Table Change Request Form](#) on the CTR Web Portal prior to April 30, 2008.

A request to inactivate a code may not be feasible. A thorough analysis of all active documents should be completed by the department prior to any request of this nature. CTR reserves the right to defer requests for de-activation of any COA element pending such analysis.

Departmental Budgets

Departments that plan to utilize Departmental Budgets must review the department's chart of account set-up needs and if necessary, request changes for FY2009. Changes to the COA must be in by April 30, 2008 to be included in the table roll. After the roll, changes can still be made but must be entered for both FY2008 and FY2009. Departments should submit changes to Unit or Unit roll up tables to Dianne Handrahan, Budgetary Unit Manager in the Comptroller's General Accounting Bureau by April 30, 2008.

Remember departmental revenue and expense budgets **MUST** be established before any activity is processed. Departments that maintain departmental budgets (BQ 83, 84) should determine whether they want to roll those budgets into FY2009. If a department is changing UNIT codes or has determined it will not budget at the same level in FY2009, please notify Dianne Handrahan by April 30, 2008.

Balances that Forward to FY2009

The first automated balance forward of uncommitted amounts in MMARS will be generated for Capital, Trust and Non-Cash Trust accounts (appropriation types 2CN, 3TN, and 3TX) after split year payroll and fringe and indirect charges for

period 12 are processed. Fringe and indirect processing is scheduled to occur the weekend of July 12, 2008 and the automated process for balance forward is scheduled on or about July 18, 2008. Thereafter, the process will occur weekly.

The balance forward of uncommitted amounts in MMARS in the Budgeted and Intergovernmental appropriation accounts (1CS, 1CN, 1RS, 1RN, 1IS and 1IN) will only occur for accounts and amounts authorized by legislation. The balance forward will be manual after verification of the uncommitted amounts. Because accounts payable runs through August, verification of uncommitted amounts is scheduled to begin at the end of July. If you have concerns about this process, contact CTR's General Accounting Bureau.

The first automated balance forward of uncommitted amounts in MMARS will be generated for Federal Grant accounts (appropriation type 4FN) at the end of September. Refer to Section Four "Federal Grants and Cost Accounting" for further information.

Retained Revenue Accounts

ANF will establish an estimated receipt ceiling via a BGCN or BGCS document by loading a preliminary budget for June. This action updates the budgetary estimated receipts in the following inquiry screens: BQ81 (subsidiarized) and BQ89 (non-subsidiarized). This eliminates the need for individual document override requests to CTR. Departments should review the central expense budgets (BQ81 and/or BQ89) are linked appropriately to the revenue budgets (BQ82). All retained revenue accounts MUST have positive balances on June 30th unless specifically authorized in statute.

At any time during the fiscal year, if departments have reason to believe that actual collections in a retained revenue or ISF account authorized to spend in advance of receipt will fall short of their initial projections, they must immediately notify the Department's Budget Analyst at the Executive Office of Administration and Finance and the Comptroller's General Accounting Bureau, attn: Dianne Handrahan, 1 Ashburton Place 9th floor, Boston MA 02108 in writing.

Trust Accounts

If a department wishes to establish a budgetary estimated receipt for a trust account, it must enter the applicable BGCN in MMARS and submit a letter to the CTR's General Accounting Bureau on department letterhead, signed by an authorized signatory, stating the projected fiscal year total receipts for each trust account. Requests will be reviewed by CTR. Once the request is approved, CTR will process the department-entered BGCN to final status. This action updates the budgetary estimated receipts in the BQ89 inquiry screens. Budgetary estimated receipts eliminate the need for override requests.

At any time during the fiscal year, if departments have reason to believe that actual trust account collections will fall short of their initial projections certified in their original letter, they must immediately notify Dianne Handrahan at the Comptroller's General Accounting Bureau in writing. (See address above.)

Section Four

Federal Grants and Cost Accounting

Section Introduction

During FY2007 the Office of the Comptroller created The Federal Grant & Cost Accounting Bureau which has two units (Federal Grant Unit & Cost Accounting Unit) to oversee the federal grant and cost accounting activities of Commonwealth agencies.

Federal Grant:

The major responsibility of the Federal Grant Unit is to manage the Commonwealths Federal Grants Process. This includes maintaining the federal grants MMARS tables, system assure the weekly cycle, create reports, draw funds from payment systems, process ISA's and post reconciliation data for or automated and non-automated draw federal grants.

Federal Grants is defined as any financial assistance available to a state agency from the United States Government, distributed through a congressionally defined formula or awarded through a competitive process. The latter are termed categorical grants and are usually represented in MMARS as appropriation Type 4FN. All federal grant accounts must use the Reimbursable Grant budget structure (BQ88), which is not Budget Fiscal Year sensitive. The General Appropriation Act and/or the federal award letter determine the authorized amount for a federal grant. It is the responsibility of the Grantee to file timely reports with the awarding federal agency and to prevent expenditures from exceeding the amount of the award.

Massachusetts General Laws Chapter 29, Section 6B (Federal grant funds) and Administrative Bulletin A & F-3 (Federal Grant Administration) provide the authorization and guidance for the participation of a department to apply for a federal grant. This law regulates the policy and procedures that departments must follow prior to going through the federal application process. It covers the main aspects of the "notification to apply" process: Administrative Bulletin A & F-3, Federal Grant Administration, outlines the requirements of Chapter 29:6B in a more readable and useable format.

The Cash Management Improvement Act (CMIA) provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states. The Cash Management Improvement Act Agreement between the Commonwealth of Massachusetts and the Secretary of the Treasury, in the United States Department of the Treasury, is known as the Treasury-State Agreement (TSA). Each year, the Commonwealth enters into a TSA with the Financial Management Service (FMS), U.S. Treasury. Programs (CFDA#'s) required to be included in the agreement are those that meet the major program definition in the Statewide Single Audit. The Treasury-State agreement may be negotiated by the Office of the Comptroller (CTR) for a five-year period, but must be amended annually as programs meet or fail to meet, based upon a \$30,000,000 threshold of federal assistance during the previous fiscal year per CFDA#.

Establishing/Modifying a Federal Grant in MMARS

Specific guidance on how to establish/modify categorical federal grants in MMARS is posted on [How to Complete Federal Grant Documentation](#) **Word** tab in the Federal Grants and Cost Accounting section of the [CTR Web Portal](#). Commonwealth's Automated Central Draw (ACD) draw statistics from 7/1/04 through 2/29/08 are listed below:

Payment System	Draw Request	Draw Amount
D- EDCAPS	11,080	\$2,495,563,248.38
E- ECHO	942	\$ 27,276,160.43
L- LOCES/PAPRS	9,015	\$ 270,474,692.62
S- SMARTLINK	23,017	\$1,392,930,869.43
Z- ASAP	6,648	\$1,151,508,371.95
	50,702	\$5,337,753,342.81

Currently there are categorical federal grants that are established in MMARS under the Non-Automated Central Draw (NCD) Process. These categorical federal grants will be reviewed by CTR to ensure that they contain specific prohibitive language that exempts them from being processed via the Automated Central Draw (ACD) Process. Departments must submit specific documentation that supports establishing a categorical federal grant in MMARS under the Non-Automated Central Draw (NCD) Process.

VPA

The VPA MMARS functionality ensures that all Federal Grant payments and payroll activity references the correct appropriation account. The MMARS VPA tables: (1) CDAPDC, (2) CDAPAP and (3) VPA create the Program/Appropriation/Transaction combinations that will be validated during transaction processing. This functionality ensures that a departments expends funds only from the MMARS appropriation associated with a specific program.

Program Budgets (structure 87) and Reimbursable Grant Budgets (structure 88) do not need to roll from FY2008 to FY2009 because these budgets are not budget fiscal year sensitive. Therefore, all activity for FY2009 will add to activity already posted for prior fiscal years. If, for any reason, a department wishes to segregate this activity by budget fiscal year, options would include adding a separate line with a different Program Code. For grants, this is likely to be the Federal Fiscal Year (FFY). Major Program/Program Code additions for 2009 should be submitted with all COA changes by April 30, 2008.

Reconciling Weekly Draw Requests

To research the results of your weekly draw request:

(1) Review the CMIA WEEKLY DRAW STATUS REPORT located on the [CTR website](#), under the Federal Grant and Cost Accounting business function tab.

(or)

(2) Query the dbo_M_R_Draw_History to pull the results of a draw cycle and provide whether a draw was successful and if not, the reasons for the rejection of the draw. The specific week can be referenced by embedding the draw date in the following convention "CDRAW10202006" into the CIW Cycle ID field.

Develop remediation plan for rejected draws

During the course of the year, some ACD federal draw requests reject. These draw requests fail for various reasons, the most common are insufficient funds or sub account is not listed. Departments must review all rejected draws on a weekly basis and develop a remediation plan in consultation with the CTR Federal Grant Unit. All FY2008 rejected grant draws must be cleared by 9/30/2008. ACD draw statistics from 7/1/04 through 2/29/08.

Payment System	Draw Requests	FY05 Rejects	FY06 Rejects	FY07 Rejects	FY08 Rejects (thru 2/29/08)
D- EDCAPS	11,080	495	818	399	134
E- ECHO	942	82	77	209	125
L- LOCES/PAPRS	9,015	796	1607	244	72
S- SMARTLINK	23,017	692	418	201	106
Z- ASAP	6,648	432	468	92	59
	50,702	2,497	3,388	1,145	496

To research the detailed transactions included in the weekly draw request:

(1) Query the dbo_M_CA_Draw_Reimb_and_Receivable table to specific MMARS detailed transactions that are included in the weekly draw process. The specific week can be referenced by embedding the draw date in the following convention – for example – "CDRAW10202006" into the CIW Cycle ID field "CDRAW10202006" into the CIW Cycle ID field.

To research impact the Negative Draw Prevention control on the weekly draw request:

The MMARS Negative Draw Prevention Control Option was changed from the Department and Appropriation to the Department and Program level. The MMARS Negative Draw Prevention process automatically evaluates the summarized total of each Automated Central Draw (ACD) request to determine if the ACD request should be prevented. To research

specific programs review the NEGATIVE DRAW PREVENTION REPORT located on the [CTR website](#), under the [Federal Grant and Cost Accounting](#) business function tab.

Additional guidance on how to reconcile categorical federal grants MMARS is posted in the [Federal Grants and Cost Accounting](#) section of the website of the Comptroller of the Commonwealth (CTR).

Reconciling FY2008 Negative (Irregular) Unexpended Balances

To successfully close the fiscal year, all FY2008 Federal Grant Appropriations (appropriation type 4FN) must have a BQ89 Unexpended balance of zero. The main reason that an appropriation has a negative unexpended balance is that the Commonwealth did not receive revenue equal to total of processed federally reimbursable expenditures or payroll transactions. State Finance Law ([General Laws Chapter 29 § 26](#)) requires that all appropriations (regardless of type) "shall not exceed the appropriations made therefore by the general court or the allotments made therefore by the governor." All Federal Grant Appropriations must have a BQ89 Unexpended Balance of zero at the close of each fiscal year.

Coordinate with the CTR Federal Grant Unit to take the necessary steps to collect all the revenue that is associated with their FY2008 expenditures or to ensure prior fiscal year Budgetary Balance Transfer(s) are resolved. All FY08 irregular balances must be resolved no later than October 31, 2008. If the Federal Grant Appropriations account remains in an "unfunded" status after the deadline the Comptroller reserves the right to prohibit any further spending from the appropriation account.

Cures to irregular federal grant balances include:

- Immediately drawing down federal funds that should have been drawn during the fiscal year.
- Filing reports that are due to the federal government, or
- Using the proper federal sub-account that has funds.

If the above three are not possible, then a prior year deficiency exists as no funds are available to fund the expenditure that is attempted to be reimbursed with Federal Funds. Please refer to Section Eight – Accounts Payable management for guidance on handling prior year deficiencies.

It is ultimately the Parent department's responsibility to manage the grant award, as they are the signatories on the grant. However, it is the collective responsibility of both the Parent and Child department to monitor the grant activity as well as to resolve all FY08 Negative Unexpended balances. It is recommended that the Parent Department be the singular voice communicating with the Office of the Comptroller to clear these issues. The Office of the State Comptroller, Federal Grant & Cost Accounting Bureau is committed to working collaboratively with you to assist with the remediation guidance, research, analysis, plan development and implementation.

Cross Fiscal Year Transaction Posting

ACD revenue transactions will be automatically created and posted to MMARS consistent with the Budget Fiscal Year of the source expenditure disbursement document. It is the responsibility of the department to ensure that the Office of the State Treasurer deposits all NCD revenue to the fiscal year consistent with the expenditure disbursement document. This will ensure that the expenditures (BQ89) and revenue (BQ82) will be posted to correct fiscal year. In addition, departments must ensure that the MMARS program end date is reflective of any allowable accounts payable period.

Schedule of Expenditures of Federal Awards - Sub recipient Monitoring

If your grant has sub recipients, monitoring must occur on these recipients by the grantor department. The Federal Grant and Cost Allocation Bureau in conjunction with FRAB may be asking applicable departments for information needed on subrecipients and other items to prepare the Schedule of Federal Financial Assistance (SFFA) for the single audit of the Commonwealth. This information may be requested separately on a specialized correspondence.

Schedule of Expenditures of Federal Awards – Other Items

The Federal Grant & Cost Accounting Bureau will also be seeking information in preparation of the SEFA on a number of noted items including, but not limited to:

The Social Security Disability Insurance Program operated by the Massachusetts Rehabilitation Commission
Donated Food Value
Research and Development expenditures paid from federal awards.
Higher Education Only:
Higher Education Federal Financial Assistance Programs
Federal Family Education and Federal Direct Student Loans
Federal Perkins Loan Information

This information is also due on October 7, 2008 and will be requested in a specialized correspondence letter to be mailed to departments in May.

Cost Accounting

The CTR Cost Accounting Unit prepares and negotiates federal approval of the Statewide Cost Allocation Plan (SWCAP), the Schedule of Expenditures of Federal Awards (SEFA), the Fringe Benefit Rate, the Payroll Tax Rates and the Departmental Indirect Cost Rate Rates. In addition, the unit manages the Commonwealth's MMARS Cost Allocation Process, including the Fringe Benefit, Payroll Tax and Indirect Cost automated monthly chargeback.

Recovery of Fringe Benefits, Payroll Taxes and Indirect Costs

[Administration and Finance Bulletin No. 5](#), *Recovery of Fringe Benefits and Indirect Costs*, requires departments to budget fringe benefits, payroll taxes and indirect costs on all Federal grants and non-budgeted special revenue and trust accounts.

Fringe benefits, payroll taxes and indirect costs are not required to be encumbered and the charges will process regardless of the Expenditure Ceiling. To avoid negative balances at either year-end or upon termination of funding, departments must ensure that fringe benefits, payroll taxes and indirect costs are adequately budgeted (including ISAs) for assessable expenditures posted to an open Accounting Period including the Accounts Payable Period.

Accounting Period 12

The Period 12 MMARS Cost Allocation Process, including the Fringe Benefit (D09), Payroll Tax (D09) and Indirect Cost (E16) automated monthly chargeback will be run on July 12, 2008. All rejected CA's (periods 1 -12) must be processed to done by July 31, 2008. Departments will be notified of all the rejected CA's.

Accounting Period 13

The Period 13 MMARS Cost Allocation Process, including the Fringe Benefit (D09), Payroll Tax (D09) and Indirect Cost (E16) automated monthly chargeback will be run on September 6, 2008. All rejected CA's (Period 13) must be processed to final by September 12, 2008. To avoid negative BQ89 balances from occurring, departments are reminded to ensure that funds to cover these final charges are adequately budgeted for the assessable Period 13 expenditures. In addition, the Program table and the BQ88 tables must properly established to accept these charges

CTR will perform a Periods 1-12 reconciliation of all charges beginning on July 14, 2008. The reconciliation of the **fringe benefits, payroll taxes and indirect costs** is required by the Single State Audit. This effort may result in the creation of additional reconciling CA's that will ensure that charges are consistent with approved rates. The CTR Cost Accounting Unit will communicate with your department to assist in the final adjustment process.

Fringe Benefit Costs on ISA Seller Budget Lines

This is a reminder that Seller budget lines in all account types that include compensation to regular employees (object class AA), and to contracted employees (CC) supported by an ISA, must also include the DD (D09) object class. This is necessary to cover mandated chargebacks for employee pension, health insurance, and terminal leave expenses from federal grants, expendable trusts, capital accounts and all other non-budgetary accounts to centralized state administrative accounts. Also, this is necessary to cover the cost of Unemployment Compensation Insurance Premium (UI), Universal Health Insurance (UHI) contribution, and the employer share Medicare Tax (MTX).

Section Five

Vendor/Customer

Section Introduction

This section highlights Vendors and Customers management during the FY 08 closing and FY 09 opening process. The Vendor/Customer Table (VCUST) is not fiscal year driven. The CTR web portal provides information access to policies and procedures and should be consulted for routine business.

MMARS Document ID Numbering

This is a reminder that MMARS document IDs should be composed of numeric or alphanumeric characters only. Department use of symbols, spaces and other non-alphanumeric characters may result in transactions becoming “locked”. This means that transactions on “pending” status cannot be opened and reviewed for approving. Furthermore, document IDs that contain symbols or spaces cannot be retrieved in warehouse queries and query-based reports. If departments choose not to use the auto-numbering feature in MMARS, they should conform to the numeric/alphanumeric standard, and make the document ID meaningful to the department.

VendorWeb

Vendors can see their scheduled payments and payment history by logging into [VendorWeb](#) on the [CTR Web Portal](#), which lists the tentative scheduled payment date for Scheduled Payments or the actual payment date, payment number, vendor invoice number, contract number, line amount, any associated text information and the department making the payment in the Payment History section. In response to the vendor community, the VendorWeb application has been enhanced with more secure log-in procedures. To use the enhanced log-in procedures a vendor/department is required to enter the VCUST code as well as the last 4 digits of the Vendor's TIN i.e the vendors' FEIN or independent contractor's SSN.

DISRQ and DISBDQ

In MMARS scheduled vendor payments can be reviewed on the Disbursement Request Table, (DISRQ). Issued vendor payments can be viewed on the Disbursement Detail Query Table, (DISBDQ) with several criteria as search options.

Prompt Pay Discounts

MMARS gives departments the ability to enter discount pricing percentages that will automatically calculate discounted payment amounts. Vendor discount information can be entered at three levels:

- At the encumbrance level
 - Statewide contract discount terms will be managed by OSD; and
 - Departments can enter terms negotiated for a specific contract.
- At the payment level – if noted on a vendor's invoices, it should be entered on the individual payment.

Discount precedence applies when discount information is entered in more than one level. A discount at the payment request (PRC or GAX) level supersedes an encumbrance level discount. Please see the [Prompt Pay Discounts Policy](#).

W-9 Certification

In order to receive payments from the Commonwealth, a vendor must be registered in the VCUST Table of the state accounting system (MMARS). Departments are required to obtain a completed Massachusetts Substitute W-9 Form (Request for Taxpayer Identification Number and Certification) or an appropriate W-8 Form Series (W-8BEN, W-8ECI, W-8EXP and W-8IMY) for foreign vendors.

For Vendor registrations, departments should enter vendor's information through a Vendor Customer Creation (VCC) transaction based on W9 form information from vendor. Vendor should have a legal name, address and a Tax Identification Number. A TIN will either be:

- A Social Security Number (SSN) issued by the Social Security Administration (SSA) for individuals or
- An Employer Identification Number (EIN) issued by the IRS for sole proprietorships, trusts, estates, partnerships, corporations, non-profit organizations, and public entities.

For Customer registrations departments should make every effort to obtain a W-9. When entering a VCC/VCM for a customer, remember to put CUST in the first four positions of the document identification.

Like any other MMARS transaction, when a department submits a VCC or VCM to pending status, the authorized department head signatory is certifying that the document is accurate and complete, and that they have verified the information in the VCC or VCM. Merely obtaining a W-9 is not enough. CTR can not verify the information in a W-9 or W-8. Departments are in the best position to verify the accuracy of payee information because they are working directly with the payee and can take whatever steps are necessary to verify information. By accepting W-9s and updates only from authorized signatories, verifying the signatures match the [Contractor Authorized Signatory Listing](#) Form (CASL) or some other verification, departments assist with reducing the risk of misdirecting payments to the wrong payee or address, delaying payments or inadvertently allowing fraudulent payments.

- **New VCCs** – ensure that the payee is actually a new vendor that does not already have an existing vendor code on MMARS. Not all vendors know that they are already registered on the VCUST table. A search of the taxpayer identification number (TIN), either the social security number (SSN) or employer Identification number (EIN), should identify if the payee has a current vendor code.
 - Departments should ensure that the payee has submitted a TIN (SSN or EIN) with a legal name and address that match what they have already filed with the IRS and DOR. Many entities have a legal name and “doing business as” (“DBA”) with a different operational names. The legal name should be the name listed in VCUST. If the entity also needs a DBA name printed on the check, this should be entered in the “Division/Department” field in the “Payment” and “Procurement” addresses. If the legal name or TIN is not entered correctly, the Commonwealth may receive a B-Notice from the IRS (name & TIN are not match with IRS record) If a vendor fails to respond to a B-Notice notification, their vendor code will be inactivated until they respond. Correcting a vendor code that has been entered incorrectly requires modifications both for the Commonwealth and the payee. The Payee needs to file a new W9 with CTR to correct this error. The Commonwealth will then have to process a correcting VCM.
- **VCMs** Departments should always look up the vendor in MMARS to verify the current information and to obtain the necessary supporting documentation for the requested change. No legal address, remittance address, tax id, legal name or structure changes should be made unless an authorized signatory of the payee has submitted an updated W-9 or other acceptable supporting documentation.
 - Special care must also be taken when a payee requests payment to be sent to a different **remittance address** (other than the legal address where tax reporting is made) or to another bank account to ensure the address or bank account is verified by an authorized signatory of the payee with sufficient back up documentation. This verification is necessary to ensure that payments are not fraudulently diverted to another address or bank account.

See [Contractor Authorized Signatory Listing Policy](#).

Unpaid Checks

We are continuing to make 1099 corrections because either a check was never received or the vendor returned a check to the departments for a valid reason. The ER, CEC or GAEC must be vendor specific and processed in a timely manner so that the tax reportable payment is reversed.

Departments must avoid situations that would allow checks issued in one tax year to be held until the next tax year. Departments must make sure that no checks are held longer than one day. Checks must be deposited timely to avoid erroneous tax reportable payments appearing in the Forms 1099s issued to vendors.

Keep the Vendor Customer File Current

Each year the Commonwealth produces approximately 30,000 form 1099s. A significant number of these forms are returned as undeliverable because we have incorrect address information in the VCUST table. When vendors are paid via electronic funds transfer (EFT) the departments continue to be responsible to update all pertinent business information. These errors can be minimized by ensuring that the vendor's legal address is updated properly in a timely manner via VCM.

Section Six

Contracts and Tax Management

Section Introduction

This section provides detailed guidance/reminders/highlights of managing contracts and tax issues during the FY 2008 Closing and the FY2009 Opening processes. It also reminds departments of the requirements concerning State Finance Law. Detailed job aids, policy information, e-updates, Expenditure Classification Handbook, tax requirements, etc., can be found on the Mass.Gov/OSC website.

State Finance Law Reminder

State Finance Law requires that funding be in place before goods, services or other obligations can be requested or accepted from contractors, vendors, or employees. Specifically, under [M.G.L. c. 29, § 26](#); [M.G.L. c. 29, § 27](#); and [M.G.L. c. 29, § 29](#), departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) by departments without a sufficient appropriation and allotment.

Tax Management

Departments are required to review the [Expenditure Classification Handbook](#) prior to encumbering and making payments to ensure the appropriate object class/code is being used. Intentionally misclassifying an expenditure may be considered a state finance law violation. (See [MGL – C. 29, S. 66](#).) The object class/code defines the tax treatment of the expenditure. Using the appropriate object class/code will enable the Commonwealth to prepare the correct tax forms to file for the tax year. Using an inappropriate object class/code will require corrective action by the department or CTR dependent upon circumstances (e.g CR, ER, EX, 1099 correction).

Department staff should review the annual Comptroller memo titled; "Issuing and Filing IRS Forms 1099 for Tax Year 200x" and adhere to directions and deadlines.

Ensuring Vendor Records Are Accurate To Minimize Undeliverable 1099 Forms:

Take steps to ensure the legal and remittance address, classification and TIN type (SSN/EIN) are reported correctly on the 1099I and VCUST tables.

Each year the Commonwealth produces approximately 30,000 form 1099s. A significant number of 1099s are returned as undeliverable due to incorrect address information in the VCUST and/or 1099I table. Even if vendors are paid via electronic funds transfer (EFT), departments continue to be responsible for updating all pertinent business information via entering VCC or VCM transactions.

Like any other MMARS transaction, when a department submits a VCC or VCM to final status, the authorized department signatory is certifying that the document is accurate and complete, and that they have verified the information in the VCC or VCM. Departments are in the best position to verify the accuracy of vendor/payee information because they work directly with the vendor/payee and can take whatever steps necessary to verify information. By accepting W-9s and W-8s and updates only from authorized signatories and verifying the signatures match the [CASL Form \(Contractor Authorized Signatory Listing\)](#) or other approved verification, departments assist with reducing the risk of misdirecting payments to the wrong payee or address, delaying payments or inadvertently allowing fraudulent payments. See Section Five for [W-9 Certification](#).

1099 Implications If ER's And EX's Are Not Processed Timely

When corrections are needed, especially at the change of a calendar year, departments must complete transactions timely in MMARS and be aware of tax reporting implications. Departments must make sure that no checks are held longer than one day. Checks must be deposited and Expenditure Refund (ER) transactions processed timely to avoid possible

erroneous tax reportable payments appearing in 1099 Forms. Departments should also be diligent about processing Expenditure Corrections (EXs) to avoid posting 1099 tax data to the wrong tax year in MMARS. If ERs and EXs are processed after the tax year cutoff date, they may lead to 1099 corrections.

Please take steps to ensure the legal address, organization type and (SSN/EIN) are accurate for each vendor and then process encumbrances and payments referencing the correct object codes.

Department Head Signature Authorization (DHSA)

Department head signature authorization may NOT be delegated to a “contract” employee, to any “non-employee” (such as a consultant, or employee of an outside entity, an Authority or quasi-public agency) or to an employee of another department since these individuals may NOT act as agents of the Department Head.

For further guidance on Department Head Signature Authorization see the following policies:

[Department Head Signature Authorization and Electronic Signature in MMARS Policy](#)

[Delegation of MMARS Document Processing Authority and Quality Assurance](#)

Contractor Authorized Signature Listing (CASL)

For a contract (including grants, leases, subsidies, etc.) to be legally valid, it must be executed by an authorized signatory of both the department and the contractor. As requested by the Office of the Attorney General (AGO), a department is required to take reasonable steps to verify that a contract, including the applicable Commonwealth Terms and Conditions, has been executed by an authorized signatory of the contractor and that the signature that appears on the contract was actually made by the authorized signatory and not a representative. An authorized signatory is an individual who is legally authorized to sign on behalf of the contractor and legally bind the contractor. It must be standard business practice for departments to verify that signature that appears on a contract was made by an individual authorized to execute a contract on behalf of the contractor (regardless of the contract amount). Departments must establish internal procedures for obtaining and filing contractor authorized signatory listings for all contractors (filed as part of Internal Control Plan). A department may use the [Contractor Authorized Signatory Listing](#) form issued by CTR or any comparable form, provided the contractor certification language appears on the comparable form.

At a minimum, a list of authorized signatories for a contractor must be attached to the record copy of each contract or contract amendment filed at the department. This listing may be obtained once per contractor (as part of either the procurement or contract execution process), photocopied and attached to each contract the department has with that contractor until the listing is updated. The listing does not need to be attached to a photocopy of any contract submitted to CTR or OSD for workflow review and processing. Quality Assurance Reviews and other post-audit activities will verify proof of contractor signature authorization. For further information, see the CTR Web Portal, Policies and Procedures, under Contracts. The section is entitled [Contractor Authorized Signatory Listing](#)

Contract Submission Reminders

All contract submissions to CTR’s Accounts Payable Bureau (APB) Contracts Unit should be mailed. Faxed submissions should be for emergency use only. Also, if faxing a contract request to CTR, it is not necessary to mail another copy.

When submitting a correction in response to an e-mail/document comment indicating an issue with the transaction/contract package, please direct the correction to the CTR Contracts Unit staff person who contacted you regarding the rejected transaction.

If a contract submission is not processed within 5 business days (7-10 business days during close/open period), please contact your CTR Contract Unit Liaison. See the link below for a list. Please do not forward a duplicate copy unless your liaison asked you to do so. When resubmitting a contract that has been physically returned to the department by CTR, please clearly mark it as a resubmission. Here is a link to the listing of [Contract Liaisons](#).

Records Management

Pursuant to [815 CMR 10:00 Records Management of Bills, Vouchers and Contracts](#), departments have been designated the legal copy keeper of all record copies of contracts and supporting documentation. This policy governs *all* contracts, grants, Interdepartmental Service Agreements (ISAs) and amendments, which use the BGCN/BGCS, IE, CT, RPO, PC, GAE, or RQS/GAP MMARS pre-encumbrances, encumbrances and the following supporting payment request documents: PRC, PRM, GAX, INP & IET documents, or any other document necessary to process a contract.

Records Management includes maintaining the complete original record copy of a document for the required retention period and then archiving the document in accordance with the records retention schedule published by the Records Conservation Board of the Secretary of State's Office (SEC). See [SEC Statewide Records Retention Schedule](#).

- **CTR** maintains the MMARS **electronic record copy** of transactions and will be responsible for retaining and archiving these records. Departments do not have to separately maintain electronic copies of MMARS Transactions.
- **CTR** maintains original record copies of **W-9 Forms, Commonwealth Terms and Conditions, Commonwealth Terms and Conditions for Human and Social Services and Electronic Fund Transfer (EFT) Authorization forms** which must continue to be submitted to CTR to register a vendor. Departments should retain copies of these documents as back up documentation to the contract files.
- **Departments** are required to maintain all "back up" or "supporting documentation" related to a MMARS transaction (marked with the MMARS transaction Doc ID) for the requisite period of time specified for that type of document in accordance with the [Statewide Records Retention Schedule](#).

Document Comments

MMARS functionality allows the addition of comments to transactions. This field allows a maximum of 1500 characters. Document comments may be queried from the data warehouse from reference table M_Reference_Document_Comments.

Additional guidance is available in the job aid [Using Document Comments](#) and in specific CTR policies.

Exercising Contract Renewal Options

Procurements and other legislative authorizations may allow for options to renew. Although options to renew are made at the discretion of a department, the exercise of an option(s) to renew is considered a contract amendment. A renewal will not be effective until an amendment is executed before the termination date of the contract and signed by the department and contractor. If multiple options are still available under the original procurement, a department may exercise more than one option to renew at a time. For example, a procurement with three one-year options to renew may exercise all three options at once and execute a multi-year contract for the remaining three year period.

If a contract is scheduled to terminate prior to the time remaining under its supporting procurement or other authorization, any remaining time or options to renew may be used by the department provided the amendment:

- will not extend the contract duration beyond the maximum period authorized in the procurement or other authorization;
- is executed under the same terms and conditions as stated in the original procurement and contract. However, a department and contractor may negotiate any of the details of performance which were identified in the supporting procurement, other authorization, or contract;
- is supported by an appropriation or other legally available funding;
- is exercised through a formal amendment by the contractor and the department.

If the contract terminates and performance stops for a period of time, the procurement period or any remaining time available under another authorization is still valid. The department and contractor may agree to continue performance at a

later date within the authorized procurement period, but any lapse in time between the original contract termination date and the execution of an amendment or the date of confirmed receipt of a notice of extension will be lost and may not be added on to the end of the original procurement period.

Reminder: The document ID number remains the same throughout the life of a contract.

Extending Contracts – Limited Thirty-day Contract Extension

If a department has a reasonable concern that the department or a contractor will be unable to complete an amendment to timely renew a contract, or to extend the termination date and performance, the Department may provide written notice to the contractor allowing for a temporary contract extension, ***not to exceed thirty (30) days***, to allow continued performance (subject to the availability of authorized funding). **This option is not designed to be used as a routine method of delaying the amendment process for failure to timely manage contracts, or to replace the amendment process. This limited option is solely to enable completion of the amendment negotiation and execution process.**

The extension will be under the same terms and conditions as the original procurement or contract and is limited to the scope and costs outlined in the notice. If an Amendment is not executed within the extension period, the contract will terminate unless an additional notice of extension is sent by the Department and confirmed by the Contractor prior to the termination date. Departments may not use multiple extensions except in extraordinary circumstances.

Failure to execute a Contract Amendment to exercise the option to renew by the scheduled contract termination date will result in termination of the contract by operation of law (unless the contract is extended using a [Thirty day Extension](#) to allow time to complete the amendment).

A contract may not be “revived” retroactively back to the termination date. Once a contract terminates, new performance must stop.

The number of times a department requires this temporary extension will be subject to quality assurance review and audit.

For further guidance on this option please see the [Amendments Suspension and Terminations](#) Policy.

Settlements and Prior Year Deficiencies

There are three types of contract Settlements:

1. **Contract performance completed without a contract**
2. **Performance prior to the effective start date of a contract or amendment**
3. **Disputed performance or compensation under a current or expired contract**

1. Performance made without a contract

On the rare occasion that performance is authorized, completed and accepted without a Contract (when a Contract document was required), the [Settlement and Release Form](#) serves as the “contract” documentation to enable compensation for this performance. If funds are available to make payment under the object code for this type of expenditure, the payments should be made under the object code that would have been used if a Contract had been properly executed. If funds are not available to make payment for the performance, the Department has a serious state finance law issue and must submit the Settlement and Release and all supporting documentation to the CTR Legal Office for review and determination of the appropriate funding source for payment. CTR may require payment from another departmental funding source, a prior year deficiency (if the obligation arose in a prior fiscal year) or other appropriate funding source.

2. Performance prior to the effective date of a contract or amendment

Departments may not authorize new or continued performance prior to the “Contract Effective Date” which is the latest date for signature by the Contractor and Department, and other required approvals prior to performance. **If performance is improperly made and accepted by the Department prior to the Effective Date for which compensation will be**

sought (invoiced) prior to the Effective Date, this performance must be resolved through a Settlement process.

This improper performance may occur:

- prior to the timely execution of a Contract (the parties began performance prior to the contract effective start date), or
- during a lapse in time between the termination date of a Contract and a renewal amendment (the parties failed to timely sign a contract amendment) or
- during a lapse in time between the termination date of a Contract and the Contractor's confirmation of a notice to extend for 30 days

The Department has two options to resolve the settlement:

- a. **Execute Settlement and Release Form.** Execute a *Settlement and Release Form* for the performance provided outside the scope of the contract or amendment, or
- b. **Include Performance as part of Contract or Amendment.** Include the performance in a Settlement that will be incorporated by reference into the Contract. The Department will be required to:
 - Identify this performance (as part of an initial or amended contract) by the date this performance was started in the "Anticipated Start Date" of the Standard Contract and Amendment Form. This will identify when the start of performance related to the Contract or Amendment actually occurred, even though the Contract/Amendment is executed after this date.
 - Check off the certification number 2 that indicates that this performance is part of a Settlement.
 - Attach the performance and costs of the performance unless already identified as part of the Scope of Services and Budget attachments.
 - Include in the Contract file, a justification or the reason for the improper performance, for Quality Assurance or Audit purposes.
 - The amounts covered by the Settlement obligations must be included within the same encumbrance document as the Contract or Amendment so that all obligations and payments for the Contract are together. The Department has the option of identifying the Settlement payments on a separate line of the encumbrance but this is not necessary. The encumbrance must reflect the total amount of obligations for the Contract including the Settlement amounts.

For further guidance see [Standard Contract Form Presentation](#)

The use of Settlements is a corrective action that should be used rarely and should not be a standard solution to a department's failure to timely execute contracts or amendments. Departments may be cited for overuse of the settlement process during Quality Assurance reviews or audits.

3. Disputed performance or compensation under a current or expired contract.

- Contract disputes that are settled during the period of the contract may use the options outlined in letter b above "**Performance prior to the effective start date of a contract or amendment**" to document the Settlement.
- Any claim settled after the term of the contract should be resolved using the Settlement and Release Form.

Payments of Settlements

Payments of Settlements follow the same process as other contract payments:

- If performance was delivered on or before June 30th of the fiscal year in which the Contract was executed, this performance must be paid from fiscal year funds for the fiscal year ending on that June 30th.

- If there were no funds available at the end of the fiscal year to cover payment, or payment is delayed beyond the close of the accounts payable period on August 31st (for a non-continuing account), the compensation would be treated as a Prior Year Deficiency (PYD). The payment would be made by the Office of the Comptroller and charged back to the current fiscal year appropriation(s) of the department.
- Settlements within the contract period and available funding for performance compensation must be paid using available contract funding under the same object code for performance under the Contract.
- Settlements within the contract period and available funding for non-performance costs such as attorneys fees, penalties or interest must be approved prior to payment by the CTR Legal Office. These are not performance payments and require different object codes and may require a different funding source for payment.
- If the Settlement resolution was outside the scope of the contract, which is after the contract period and the authorization for the contract funding (due to litigation or protracted settlement negotiations) the CTR Legal Office would determine the appropriate method for the payment.

NOTE: Please see policy chapters for **Accounts Payable**, including **Commonwealth Bill Paying Policy**.

MMARS Transactions Must Match Underlying Contract and Amendments

State finance law policy requires MMARS to match the underlying contract or supporting documents, including amendments. What appears in MMARS is the “official record” or “record copy” of fiscal activities and will supersede paper or other formats. MMARS is an accounting system used to accurately record and report fiscal activities of the Commonwealth.

Although MMARS is an effective accounting reporting tool, departments cannot solely rely on MMARS to manage fiscal responsibility and decisions. MMARS cannot prevent mistakes or incorrect entries. Some transactions will pass all the system tests (edits) and be processed to “Final” status even though the expenditure, underlying procedures, procurement process, or contract documentation is legally deficient.

Although, department staff are capable of processing an encumbrance to “Final” status in MMARS does not mean that the transaction and/or underlying documentation are automatically legal, appropriate or in compliance with applicable laws, regulations, policies or procedures. Compliance responsibility remains at all times with the department staff that process documents to “Final” status. Since MMARS will track the UAID of the department employee who approves documents, quality assurance reviews will identify not only the documents that will be reviewed, but also the security identification (UAID) of the employee who approved the documents.

- Departments must be diligent when modifying MMARS encumbrances, to support contracts and amendments, specifically effective dates. It is violation of State Finance Law for departments to enter a modification to a MMARS transaction to reflect start and end dates that are not supported by the underlying contract documentation.

Effective Dates and Obligations are subject to State Finance Policy, Quality Assurance Reviews and Audits

Departments must ensure the availability of sufficient funding, and have required procurement or other approvals in place prior to incurring an obligation for which compensation will be made, therefore:

- Departments must enter the start date/amendment start date on the contract/amendment that accurately reflects when obligations will be incurred;
- The “Effective Date” is the latest signature date by the contractor, department, or other required approvals. The “Anticipated Contract/Amendment Start Date” on the Standard Contract/Amendment Form should represent the date obligations are expected to begin to be incurred by the vendor, UNLESS the Department is including performance prior to the Effective Date under a Settlement. See [Performance prior to the Effective Date of a Contract or Amendment](#).

NOTE: Departments may be subject to Quality Assurance reviews and audits.

- When the MMARS transaction supporting the contract identifies a start date prior to the effective date of the contract, any payments for performance made prior to the effective date will be considered settlements and the department may be cited for a Quality Assurance or audit findings.
- When the MMARS transaction supporting the contract/amendment reflects the contract effective date, rather than the earlier start date listed in the contract, the encumbrance will be interpreted to support the effective date, unless other documentation identifies that performance was made prior to the effective date and the Department merely deferred payments to after the effective dates.

Delegation of MMARS Processing Authority

The chart below represents current MMARS document processing limits. These limits are set by document type and by object class, if applicable. For additional guidance, please review CTR's policy documents on the CTR Web Portal [Delegation of MMARS Document Processing Authority](#) and [Quality Assurance](#).

MMARS Document	Delegation Limit for Total Duration of the Document
PC (Commodities)	\$100,000
CT (Services)	\$500,000
RPO (Ready/Recurring) (Services/Leases)	\$500,000
GAE/INP (Incidental Purchases)	\$5,000*

*NOTE: Consultant services governed by M.G.L. c. 29, s. 29A (certain HH, NN and UU object codes), a procurement is not required for purchases less than \$5,000, however, secretariat approval is required for all purchases greater than \$1,000. Further guidance can be found in the Operational Services Division (OSD) policy guidance document [Incidental Purchasing Policy Guidance](#).

MMARS delegation is limited only to transaction processing. It does not change the underlying procurement or contract requirements. Departments are able to process MMARS transactions without secondary review by CTR/OSD, and are responsible for procuring and contracting in accordance with applicable state finance and procurement laws, regulations and policies. The Quality Assurance team and other post-audit activities will monitor and assist departments to ensure required compliance.

Departments must be able to document and verify that all purchases have been made in accordance with prescribed laws, regulations, policies and procedures to ensure the most cost effective ("best value") use of Commonwealth funds. Departments may not manipulate contracts or contract amendments to avoid secondary review by CTR/OSD for encumbrances exceeding the delegation limit (e.g. splitting contracts or contract amendments or encumbering less than the maximum obligation of a contract

Multi - Year Encumbering

Below is a chart that illustrates the two options available and acceptable for entering a multi -year CT or PC encumbrance transaction into MMARS. This type of encumbrance must be supported by a multi - year contract **and** the document ID number of the associated MMARS transaction must remain the same throughout the life of the encumbrance and any of its renewal options.

SCENARIO #1 – Multiple Commodity Lines/Accounting Lines for each fiscal year

	Dates of Service	Comm. Line Amt.	Accting. Line Amt.	AL Attributes
Commodity Line 1	7/1/08-6/30/09	\$50,000		

Accounting Line 1	\$50,000	
Event Type		PR05
Reserved Funding		NO
Flag		
BFY		2009
FY		2009

Commodity Line 2	7/1/09-6/30/2010	\$25,000	
Accounting Line 1		\$25,000	
Event Type			PR08
Reserved Funding			YES
Flag			
BFY			2010
FY			2009

SCENARIO #2 - One Commodity Line for full two year range of dates with separate accounting lines for each fiscal year

	Dates of Service	Comm. Line Amt.	Accting. Line Amt.	AL Attributes
Commodity Line 1	7/1/08-6/30/2010	\$50,000		
Accounting Line 1			\$25,000	
Event Type				PR05
Reserved Funding				NO
Flag				
BFY				2009
FY				2009
Accounting Line 2			\$25,000	
Event Type				PR08
Reserved Funding				YES
Flag				
BFY				2010
FY				2009

CLOSING

Introduction

This section provides relevant encumbrance management guidance to assist departments in finalizing year-end business in order to avoid delays and problems with the fiscal year closing.

FY2008 ANF Year End Encumbrance Review Requirement Beginning Saturday May 24th

Beginning on Saturday, May 24th, for the departments and transactions listed in the chart below, prior approval from ANF will be required for encumbrances **with a total of \$25,000 or more in a budgetary account**. This includes appropriation types 1CN, 1CS, 1RN, 1RS, 1IN, and 1IS. ANF approval will **not** be required for transactions in budgetary accounts totaling less than \$25,000 nor for transactions funded with capital, federal or trust accounts, which are appropriation types 2CN, 3TN, 3TX or 4FN; nor for transactions submitted by departments not on the list below. NOTE: Appropriation type is identified on each account's record on the MMARS APPR table.

CT	Contract Transaction	PH	Payroll Hold*
GAE	General Accounting Encumbrance	RPO	Recurring Payment Order
PC	Commodity Purchase Order		

AGR	BSB	CME	DLR	DOI	DPU	EED	EOL	HCF	LRC	MRC	PAR	SOR
ALA	CAD	CSC	DMH	DOL	DPW	EHS	EPS	HLY	MAC	OCD	POL	SRC
ANF	CDA	DCP	DMR	DOR	DSS	ELD	EQA	HRD	MCB	OHA	REG	TAC
ATB	CHE	DCR	DOB	DOS	DYS	ELW	EQE	ITD	MCD	ORI	RMV	TRP
BCA	CHS	DFS	DOC	DPH	EDU	ENE	FWE	JLM	MIL	OSC	SCA	VET
BLC	CJT	DIA	DOE	DPS	EEC	ENV	GIC	LIB	MRB	OSD	SEA	WEL

In preparation for the contract roll for RQS, RPO, CT and PC documents, there will be an encumbrance processing suspension in effect Thursday, May 29th – Sunday, June 1st.

Departments should not expect any discretionary encumbrance transactions involving increases of \$25,000 or more in budgeted fund accounts to be approved in June. However, in rare instances, some encumbrances may need to be processed during June even though every reasonable effort must be made to avoid this.

*NOTE: Requests for PH (Payroll Holds) need to be forwarded to the CTR Payroll Bureau.

ANF Budget Director has issued specific guidance on the process for requesting ANF's approval of late transactions using budgeted fund accounts. (<http://www.anf.state.ma.us/>). When here, under Other in the menu click on Encumbrance Deadline – FY2008.

ANF Platform

To access the Platform program, it must first be installed on your desktop. Please go to the Commonwealth of Massachusetts [Administration and Finance website](#) for instructions on how to install the application. After installing it, double-click on the icon on your desktop. You will be prompted for your ID and password, which are the same as the ones you used to complete spending plans this year. To enter a new request, or to review the status of a request, click on the Platform menu and the option "Late Encumbrance Requests". To add a new user, please contact [Thong Tran](#) at ANF at (617) 727-2081 ext 35431.

IMPORTANT: After 6/30/08 FY2008 encumbrance transactions for the documents and departments listed above are **not** subject to ANF Platform approval but **are** considered late encumbrances. See late encumbrance section below for guidance.

Encumbrance Contract Management

During the final quarter of the fiscal year, departments should perform a timely review to ensure all FY2008 encumbrances and Interdepartmental Service Agreements (ISAs) are in place to support departmental needs. The target date for completing encumbering in MMARS is Friday, June 13, 2008. The remainder of FY2008 should be used to handle final adjustments. NOTE: The last day for processing FY2008 encumbrances in MMARS is Monday, June 30, 2008 for goods and services delivered.

Late Encumbrance Processing Tuesday 7/1 – Friday 8/29

Departments should review their financial status to ensure that there will be sufficient funding encumbered to cover all commitments incurred during the fiscal year. CTR and OSD will only accommodate late encumbrances (decreases and increases) due to unforeseen circumstances. These encumbrances will workflow either to CTR or OSD (if PC transaction – see note below).

CT, RPO and GAE encumbrances' workflow to CTR's Accounts Payable Bureau, Contracts Unit. Documentation for these requests will require:

- a. Submission of the standard contract/amendment package, if applicable.
 - b. Late Encumbrance Transmittal Form. See last page of this section for this form.
 - c. Data entry in the following fields on the encumbrance accounting line(s) and header: BFY: 2008 FY 2008 Accounting Period 13.
 - d. Letter on department letterhead addressed to Michael Weld Eyob, Accounts Payable Bureau Director, and signed by the department's CFO explaining the reason(s) for the late encumbrance (s). This letter must also contain: transaction type (e.g. CT), department alpha code, the full 20 character MMARS document id number including the version, object code, commodity line and accounting line numbers being modified, amount of modification, 8 digit account number(s) and fund.
 - e. All requests should be submitted to the attention of **Sue Patts-Nagy**, Office of the State Comptroller, 1 Ashburton Place, Boston MA 02108.
- **Note: the PC transaction workflows to OSD.** Requests for processing should be addressed to Elaine LaMonica when the encumbrance total is less than \$100,000 and to the applicable Procurement Team Leader (PTL) when the encumbrance total is \$100,000 or greater. See link to the OSD directory to assist in identifying the applicable PTL - [OSD Directory](#)

Note: The PH transaction workflows to the CTR Payroll Bureau. The PH document must include a justification for the late encumbrance as a Comment in the document.

Net Zero Dollar Encumbrance Adjustments for FY2008 from Tuesday 7/1 – Friday 8/29

There are two types of net zero dollar adjustments that are allowed from 7/1-8/29. They are:

- (1) A modification to a transaction funded with any appropriation type that:
 - ❖ does not change contract maximum obligation
 - ❖ does not change the contract end date
 - ❖ increases or decreases within the same object class (e.g. G03 to G05)
 - ❖ within the same appropriation (**Note:** for net zeroes in continuing accounts within a transaction, across appropriations and fiscal years see number 2 below)
 - ❖ within same fiscal year
 - ❖ no change to MMARS document id number
- (2) A modification to a transaction funded with continuing accounts (capital/2CN, federal/4FN, trust/ 3TN, 3TX) that:
 - ❖ does not change contract maximum obligation
 - ❖ does not change the contract end date
 - ❖ increases FY08 and decreases FY09 or another future fiscal year that already exists on the encumbrance **or** decreases FY08 and increases FY09 or another future fiscal that already exists on the encumbrance
 - ❖ no change to MMARS document id number
 - ❖ appropriation change is to another continuing account (can not be to a budgetary account)

Note: A net zero change between two encumbrances **is not** considered a Net Zero Dollar Adjustments but rather a Late Encumbrance (see Late Encumbrance guidance above).

Submission of Net Zero Adjustments

Requests for net zero adjustments (see 1 and 2 above) will only require an e-mail to the CTR Accounts Payable Bureau, Contracts Unit to the attention of your Contract Unit Liaison. See this link for a list: [Contract Liaisons](#)

MMARS Processing 6/2-8/29 when two fiscal years and accounting periods are open

From 6/2-9/15, two fiscal years and accounting periods are open, therefore, departments are required to enter the FY and accounting period on all accounting line(s) when modifying or entering a new transaction. If left blank and submitted, the transaction will go to the CTR contracts work list and will be rejected in MMARS. The reason for the rejection will be made in the document comments field and an e-mail will be sent to the MMARS Liaison, instructing the department to enter the appropriate fiscal year and accounting period. See the charts below for guidance:

If increasing or decreasing a BFY08 line(s), the accounting line set up should be:

Accounting Line BFY	Accounting Line FY	Accounting Line Accounting Period
2008	2008	12 or 13

If increasing or decreasing BFY09 line(s), the accounting line set up should be:

Accounting Line BFY	Accounting Line FY	Accounting Line Accounting Period
2009	2009	1, 2 or 3

FY2008 Encumbrance Corrections (CEC and GAEC) Processing Deadlines

Monday, 7/28/2008

- PR22 [credit memo] Event Type CEC and GAEC

Friday, 8/29/2008:

- PR20/PR21 Event Type CEC/GAEC corrections
- Zero Dollar PR20 Event Type to reopen an inadvertently closed encumbrance

See link to policy on [Encumbrance Correction](#) for further guidance.

OPENING

Encumbrance Management Opening

This section addresses encumbrance processing in FY2009 Opening. The [CTR Web Portal](#) provides related policies and procedures and should be consulted for routine questions.

Chart of Accounts

Oversight or departmental defined Chart of Accounts is the foundation of the financial management system. The Chart of Accounts must be established prior to any FY2009 budget decisions. Departments opting to use departmental budgets and departmental chart of accounts, must ensure that all are in place before any encumbering activity occurs. Please refer to Section Three (Opening) of this book for additional guidance on Chart of Accounts.

Expenditure Classification Handbook

Departments should review anticipated obligations for FY2009 and ensure that the appropriate object codes are utilized for new or existing encumbrances. In FY2009 there are only minor revisions to the Expenditure Classification Handbook. See the [Expenditure Classification Handbook](#) for further guidance.

Note: Departments are responsible for full compliance with all applicable state and federal statutes, rules, regulations and requirements governing the expenditure of funds, regardless of whether or not specifically cited in this Handbook. Departments are advised to seek additional assistance from their legal and fiscal staff.

MMARS Document ID Numbering

MMARS document IDs must be composed of numeric or alphanumeric characters only. Department use of symbols, spaces and other non-alphanumeric characters may result in transactions becoming “locked”. This means that transactions in “pending” status, cannot be opened, rejected or approved. Furthermore, document IDs that contain symbols or spaces cannot be retrieved in warehouse queries and query-based reports.

If departments choose not to use the auto-numbering feature in MMARS, they should conform to the numeric/alphanumeric standard, and make the document ID meaningful to the department.

Reminder: The document ID number remains the same throughout the life of the contract.

Privacy

MMARS document IDs (encumbrances, payments, etc.), vendor invoice numbers, contract numbers, check descriptions, and any comment fields **MUST NOT** contain personal information (such as individual's names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate identity theft. MMARS document IDs and key comment fields may be printed on checks, sent electronically as part of remittance advice, and will appear on VendorWeb (and may be viewable under public records/FOI requests). Therefore, steps must be taken to ensure individual personal information is not used.

Contract Roll

The contract roll process itself does the following:

- Pre-encumbrance RQS: Modifies all BFY2009 accounting lines from event type PR50 to PR02, changes reserved funding from 'Yes' to 'No', and changes the FY field from 2008 to 2009
- Encumbrances CT, RPO, PC: Modifies all BFY2009 accounting lines from event type PR08 to PR05, and PR56 to PR51 (Open order CT,PC), changes reserved funding from 'Yes' to 'No', and changes the FY field from 2008 to 2009

Preparation for the Contract Roll

In preparation for a successful contract roll, departments should review all **existing** multi-year pre-encumbrances (RQS) and encumbrances (CT, PC and RPO). This review should consist of the following:

- Multi-Year encumbrances must have at least one accounting line for each budget fiscal year (see chart above in introduction under Multi -Year Encumbering).
- For encumbrances to be selected in the roll process, the BFY2009 out-year accounting lines must have the correct event type and BFY. **Note:** if an out-year accounting line has a closed date, it will not be selected for the roll. See the charts below for proper coding:

Entering accounting lines PRIOR to the contract roll: If entering BFY2009 accounting lines **PRIOR** to the Contract Roll, the proper set up is shown in the chart below:

Doc Code	Future Year Event Type	Reserved Funding Flag	Budget Fiscal Year (BFY)	Fiscal Year
RQS	PR50	YES	2009	2008

CT	PR08	YES	2009	2008
Openorder CT	PR56	YES	2009	2008
RPO	PR08	YES	2009	2008
PC	PR08	YES	2009	2008

The contract roll is scheduled for Saturday, May 31st thus the above must be done prior to that time in order to be eligible for the roll.

The contract roll will impact RQS, RPO, CT and PC documents. Encumbrance processing suspension will be in effect Thursday, May 29th – Sunday, June 1st. Departments will not be able to enter, edit, validate, or submit RQS, RPO, PC, CT documents until Monday, June 2nd.

The Accounts Payable Bureau, Contracts Unit will approve all pending MMARS CT and RPO transactions by Friday, May 30th for paperwork has been forwarded to CTR. OSD will do the same with PCs. Pending documents will be rejected back to the department if the paperwork is not received in time.

Entering accounting lines AFTER the contract roll: If entering a BFY2009 accounting line **AFTER** the Contract Roll the proper set up is shown in the chart below:

Doc Code	Future Year Event Type	Reserved Funding Flag	Budget Fiscal Year (BFY)	Fiscal Year
RQS	PR02	NO	2009	2009
CT	PR05	NO	2009	2009
Openorder CT	PR51	NO	2009	2009
RPO	PR05	NO	2009	2009
PC	PR05	NO	2009	2009

Open Activity (Unspent) Roll – Capital, Trust and Federal Funds Only

The Open Activity Roll will work as follows and will occur on August 30th:

- The roll affects the RQS, CT, and PC transactions that have unspent funds in account types 2CN, 3TN, 3TX and 4FN.
- The unspent amount in these accounts is rolled if the encumbrance has at least one **open BFY2008 accounting line**.
- If there is a matching BFY2008 accounting line within the same commodity/accounting grouping, “the unspent monies in the BFY08” accounting lines in these account types will be **moved and combined** into that matching BFY2009 accounting line This matching accounting line must have all the same chart of account elements as the original. The roll will look only for a matching accounting line within the same commodity/accounting grouping.
- **If there is no matching accounting line** within the same commodity/accounting grouping, then a **new accounting line will be created**.
- Service dates on commodity lines will also be modified if the service dates do not extend into BFY2009. For those commodity lines that do not extend into BFY2009, the service end date will be changed to the latest end date on the encumbrance.
- Departments should be aware that the accounting line number created may not be sequential. For example, if accounting lines 1 and 2 already exist, the next accounting line created by the roll process might not necessarily be 3. In some cases, it may be sequential but in other cases it may not. Departments should be aware of this when reviewing their transactions.

Tax-Exempt Lease Purchases, Term Leases, and Rentals (Recurring Payments)

Encumbrances for Tax-Exempt Lease Purchases (TELPs) and leases are typically supported by a Statewide Contract. Recurring payment leases such as: space leases (G01 object code), TELP leases (L02-L12, N62 and U08 object codes), and any capital or operating lease (L22-L32, N63 and U09 object codes) that have a duration greater than 12 months must be encumbered using the RPO document under one of the applicable MMARS standard recurring payment schedules.

Note: Capital lease encumbrances must include “CAP” in detail accounting sub object field

Reminders:

1. TELPs require prior written approval by the Executive Office for Administration and Finance (ANF) to ensure sufficient funding is anticipated for the annual costs for the life of the TELP.
2. Contracts must be negotiated to match established recurring payment table schedules.
3. It is required that department's TELPs and leases are recorded in MMARS in accordance with the procurement and fixed asset policies.
4. Each TELP or lease should have a unique RPO document id number.

The guidance and policy are discussed in the following resources:

- [Expenditure Classification Handbook](#)
- **Fixed Assets**
Departments that own fixed assets are responsible for recording all acquisitions, betterments, changes, transfers, and dispositions for GAAP fixed assets and for a physical inventory of non-GAAP fixed assets. Please refer to the [Fixed Asset policy page](#) of the CTR Web Portal for additional information.

MMARS Policies [Fixed Assets-Acquisition Policy](#) and [Accounting and Management Policy](#)
- Operational Services Division (OSD/Statewide TELP) Tax-Exempt Lease Purchase Financing Handbook and the [Comm-PASS website](#). (Search for “PRF17” under Contracts. TELP Handbook is under “Terms/Forms”), Information Technology Division (ITD Commonwealth TELP), Contractor TELP.
- MMARS Policy "[Commonwealth Bill Paying Policy](#)", Recurring Payments section.

Discounts

Benefits of Taking Discounts: One of the benefits of MMARS is the ability to automatically calculate discounts for prompt payments (Prompt Payment Discount/PPD) to vendors. These discounts are hard dollars savings retained by departments that can be unencumbered for a contract if not needed and can be used for another purpose.

Prompt Payment Discount (PPD) terms become available when procurement requires or requests, and a Bidder submits in their Response, discounted prices based on the assumption that departments will pay their bills more quickly in order to receive lower prices. Having prompt payment discount options in contracts is advantageous to both contractors and purchasing departments.

Contractors benefit from PPD by increased, usable cash flow as a result of fast and efficient payments for commodities delivered or services rendered.

The Commonwealth benefits because the Department's cost for products and services are reduced by taking advantage of the Prompt Payment Discount.

PPD are automatically taken from the total invoice amount and are **in addition** to any other volume or other discounts negotiated between the Department and a Contractor as part of a contract or purchase. Volume or other discounts must be calculated and included on the invoice. Prompt Payment Discounts are an additional discount if the department is able to review and approve an invoice quickly and schedule payment within 9, 14, 19 or 29 days from the date the invoice was received or performance rendered (whichever is later). Many Statewide Contracts issued by the Operational Services Division contain Prompt Payment Discount terms. If a department is purchasing from a Statewide Contract that includes Prompt Payment Discount terms, the department must process invoices on a timely basis in order to take advantage of discount(s). Departments must check the Master Agreement (MA) document to identify the prompt payment discount options available from that contract and make sure that payment requests are submitted to take advantage of the greatest amount of savings.

Verification of Discount Terms on Encumbrances: On PC and CT transactions with discount terms, the discount shown in the commodity section and vendor section must match. Mismatched discount terms on an encumbrance will result in incorrect vendor payments. Departments are responsible for ensuring that the two sections match prior to submitting the transaction in MMARS.

To assist departments, CTR's Contracts Unit regularly reviews discounts on encumbrances to ensure that discounts on the commodity lines match the discount in the vendor section. Most, if not all of these encumbrances reference an MA. The MA discount terms should match the encumbrance terms. Some of the most common reasons for mismatches are copying documents or initially referencing the wrong vendor line and correcting it. If the wrong vendor line was initially referenced or copied on an encumbrance, department's need to make sure that they check the discount section in both the vendor and commodity section to ensure they match.

Departments are notified to clean up any discount mismatch issues. These require immediate correction to ensure that the discount will be calculated correctly at the time of payment.

To correct mismatched discount information, go to the commodity line section and blank out the values (do not leave zeros) then revalidate the documents. When you revalidate the document, the discount terms from the vendor section will be inferred to the commodity section. Check both sections to confirm that they match. If there are out years, remember to correct those lines as well.

Negotiating Discount Terms: Departments negotiating new contracts, and contract renewals or amendments, should take advantage of the MMARS feature of automatically calculating prompt pay discounts. This valuable cost-saving enhancement in MMARS stores the vendor's discount terms on the encumbrance document, which will copy forward to the payment document and automate the calculation and payment process. This feature provides departments the means to monitor their bill-paying practices and take full advantage of discount opportunities. The Commonwealth's goal of consistent, timely bill paying via [Electronic Funds Transfer](#) (EFT) should give departments leverage in negotiating discounts terms. Please review the existing [policies and procedures](#) related to vendor discounts. For more information please see the [Prompt Payment Discount Policy](#) and the encumbrance with discounts job aid.

FY 2008

LATE ENCUMBRANCE TRANSMITTAL FORM

7/1/2008 thru 8/29/2008

This form **is required** for **all** FY2008 CT, RPO and GAE late encumbrances.

TO: Michael Weld-Eyob, Director
Attn: Sue Patts-Nagy
Accounts Payable Bureau
Office of the Comptroller
One Ashburton Place, 9th Floor
Boston, MA 02108

DATE: _____

See below for documentation submission requirements:

- **Justification on department letterhead addressed to Michael Weld-Eyob, which must be signed by the departments Chief Fiscal Officer (CFO). This letter must also contain the (1) document code (e.g. CT/RPO), (2) department, (3) full 20 character document id number including the version, (4) object code, (5) commodity line(s) and (6) accounting line(s) numbers being modified, and (7) amount of modification, (8) eight digit account number(s), and (9) fund.**
- **Applicable back up documentation in accordance with the object code requirements. See Expenditure Classification Handbook for further guidance.**

Please complete Doc Code, Dept, and 20 Character Doc ID Number below:

Item	Doc. Code	Dept	20 Digit ID Number	Version Number
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Section Seven

Interdepartmental Business (ISAs and Chargebacks)

Section Introduction

An Interdepartmental Service Agreement (ISA) is a contract between two state departments that fulfills the legislative mandates of both departments. ISAs are used when contracting with another state department provides a “better value” than contracting with an outside vendor. The contract enables departments to jointly fulfill the same or similar legislative mandates.

Departments are responsible for adhering to the [Policy on Interdepartmental Service Agreements \(ISAs\)](#) in the CTR Web Portal. This policy provides instructions and forms for ISAs/ISA amendments. It also covers the 815 CMR 6.00 regulation, which provides the rules and procedures for conducting interdepartmental fiscal business, including ISAs, which require a transfer of funds between two departments.

Most ISAs are set up annually on a state fiscal year basis; however, ISAs should have a duration that makes sense from a business perspective. For example, multi-year ISAs are encouraged if they best support the business process. Similar to other types of contracts, ISAs are subject to appropriation and/or the availability of funding.

State Finance Law Reminder

State Finance Law requires that funding be in place before goods, services or other obligations can be requested or accepted from contractors, vendors, or employees. Specifically, under [M.G.L. c. 29, § 26](#); [M.G.L. c. 29, § 27](#); and [M.G.L. c. 29, § 29](#), departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) by departments without a sufficient appropriation and allotment.

Fiscal Year Opening Start for ISAs

Fiscal year 2009 opening for Buyer processing of ISAs by appropriation type can start as outlined below:

- **Budgetary Funds 1CN and 1CS:** Buyer departments may start processing ISAs when MMARS is open for FY2009 business and may be processed based on provisional numbers in House 1; NOTE: allotments will be made after the GAA is loaded.
- **Budgetary Funds 1IN, 1IS, 1RN and 1RS and Trust Funds (3TN, 3TX):** Buyer departments may start processing ISAs when MMARS opens for FY2009 business and the value of the ISA does not exceed the uncommitted estimated receipt in the buyer budget line.
- **Capital Funds (2CN):** Buyer departments may start processing ISAs when the Obligation Ceiling of the buyer account has been established on the FY2009 budget line. Spending for all capital accounts, including seller budget lines, will be controlled by the capital budget structure so each line should be fully allotted in the central budget structures.
- **Federal Funds (4FN):** Buyer departments may start processing when the budgetary estimated receipts have been established in the buyer budget line.

To ensure processing in time for the first FY2009 payroll run and contract encumbrances with July 1st effective dates, the appropriate paperwork for **new ISAs** or **renewals** to extend an existing FY08 single year into FY09 or beyond, must be submitted no later than **Monday, June 2nd**. Buyer departments will be required to enter the applicable budget document (BGCN for non-subsidiarized or BGCS for subsidiarized) into MMARS. The budget transactions will automatically workflow to the CTR Contracts Unit. CTR will process the budget transaction to final status as long as the supporting ISA paperwork is received and is completed correctly.

NOTE: ISA related FY2009 BGCN and BGCS document id numbers should end with 09A (18th, 19th and 20th position within the doc id number)

Interdepartmental Service Agreements in Subsidiarized Accounts

Effective for FY2009 for ISA Buyer/Seller BGCS documents, the “from” (Buyer) object class and the “to” (Seller) object class must be the same. Example: Buyer has agreed to allow the Seller HH object class as part of the ISA budget. This means that the “from” object class from the Buyer must be HH on the BGCS transaction which will go to Seller object class HH on the BGCS transaction.

Seller Budget Line Roll for FY2008 (Existing Multi Year ISAs)

In early May, CTR will provide ANF with a listing of multi-year seller accounts that need to be active in FY2009 as long as (1) the buyer budget line is valid in FY2009 and (2) the seller budget line is supported by a valid multi-year ISA on file with CTR. Those budget lines will roll into FY2009 based on a spreadsheet that CTR Contracts Unit supplies to ANF. The roll will create \$0 budget lines for the seller, which sets the stage for:

Non-Subsidiarized Accounts

- (1) In early June, CTR will provide ANF with an updated listing of multi year seller accounts that need to be active in FY2009 and will include the dollar value of the FY2009 portion of the ISA based on the latest version of the ISA on file at CTR.
- (2) ANF via an interface will load the applicable BGCN. For any rejects from this load, CTR will handle the cleanup with assistance from the Buyer department, if necessary. NOTE: Appropriation Type 4FN will be loaded as reject so that CTR Contracts Unit can link the seller line to the applicable revenue source code.

Subsidiarized Accounts

- (1) In early June, in preparation for the seller budget line roll, a file will be sent to Buyer departments for verification of the object class breakout based on the latest version of the ISA on file at CTR.

Balance Forward for Capital and Trust Account Seller Budget Lines

The seller budget line roll establishes the FY2009 portion of the ISA, which also sets up the seller budget line so that it is in place for the automated balance forward when it starts near the end of July.

ISAs that expire 6/30/08 or before will not be rolled.

A buyer department that determines that a seller budget line should have rolled but did not, should contact CTR's Contracts Unit Susan.Patts-Nagy at 617-973-2332 for discussion and correction.

ISA Seller Account Allotments

Any FY2009 ISAs in budgetary or capital accounts, that are processed **before** the GAA passage should be completed without an allotment because the buyer budget line does not have an expenditure ceiling until the GAA is passed. Once the GAA is passed, ANF will process the first periodic allotment that will update the buyer and seller lines with an expenditure ceiling for any buyer and seller budget lines that have been set up and funded (obligation ceiling).

ISAs in budgetary or capital accounts, processed **after** the passage of the GAA, should include allotment lines reducing allotted funds in the buyer, and increasing allotment in the seller. If funds are not allotted at this time, the seller account will have to wait until the second periodic allotment, unless the buyer requests a zero-sum allotment from ANF to reduce the buyer's allotment and increase the seller's allotment.

FY2009 ISA in a trust account should include the allotment as part of the BGCN set up in accordance with funding available in the buyer's budget line. The ANF periodic allotment will not impact seller budget lines that are trust accounts.

After the GAA is passed, CTR will work with the applicable buyer department to ensure that allotments are added for ISAs pending at CTR (paperwork has been submitted to CTR)

Reminder: If the seller department has multiple ISAs with the same buyer that are all funded by the same account, the
FY2008-2009_CloseOpen_Instr.doc

total dollars for all ISAs will be shown on a single seller budget line in MMARS (BQ89 or BQ81). The seller will be required to properly account for expenditures in accordance with the terms and funding specifications for each individual ISA. Establishing departmental budgets or other departmental accounting attributes for each ISA within the seller budget line is a mechanism available to account separately for each ISAs funding. Departments that do not set up departmental cost allocation should develop an internal control procedure to perform this function.

ISAs Funded with Trust and Federal Funds – Indirect Costs Must be Negotiated as Part of ISA Budget

Expenditures in a seller account may trigger indirect costs. Both the buyer and seller department are responsible for negotiating the type of expenditures authorized under an ISA and determining if the expenditures will trigger the assessment of indirect costs. These costs must be included as part of the ISA and funded as part of the ISA budget. Departments requiring information on whether expenditures will trigger an indirect cost assessment should contact Fred DeMinico in the Federal Grants and Cost Allocation Unit at CTR.

Fringe Benefit Costs

Seller budget lines in all account types that include funding for object classes AA (state employee compensation) and CC (special employees/contracted services) supported by an ISA, must also include the DD (pension & insurance related expenditures, specifically object code D09. This is necessary to cover mandated chargebacks for employee pension, health insurance, and terminal leave expenses from federal grants, expendable trusts, capital accounts and all other non-budgetary accounts to centralized state administrative accounts. This also covers the cost of Unemployment Compensation Insurance Premium (UI), Universal Health Insurance (UHI) contribution, and the employer share Medicare Tax (MTX).

Seller Budget Line Activity

The chart below outlines what happens to uncommitted dollars remaining in seller budget lines at the end of FY2008 Accounts Payable for both single and multi-year ISAs.

	Budgetary (1CN, 1CS, 1IN, 1RN, 1RS)	Capital and Trust (2CN, 3TN, 3TX)	Federal (4FN)
Single Fiscal Year ISA	Uncommitted balances in seller budget lines will be returned to the buyer account if a Prior Appropriation Continued (PAC) is authorized. If there is no PAC, the unspent balances will lapse in the seller budget lines.	Uncommitted balances in seller budget lines will be returned to the buyer budget line at the end of the FY2008 accounts payable period.	If unexpended balances remains in the seller budget lines, CTR will move the cash to the buyer line and adjust any future cash draws. Uncommitted estimated receipt balances do not balance forward; therefore, no adjustment is required.
Multi Fiscal Year ISA	Uncommitted balances in seller budget lines will be returned to the buyer line at the end of the fiscal year unless the buyer has a PAC authorization. It is the responsibility of the buyer department to determine how the PAC authorization should be distributed between the buyer and seller budget lines and to contact CTR's Accounting Bureau, Budgetary Unit for guidance.	Uncommitted balances will balance forward.	Uncommitted estimated receipt balances will not balance forward; therefore, a new BGCN document is required. See guidance in the chart below. If an unexpended balance remains in the seller budget line, the cash will be brought forward to the child budget line.

Seller Account Carry-Forward Process for Federally Funded/Multi Year ISAs (To Be Completed On or Before Friday 9/26/2008)

Step 1.	<p>Seller department authorized signatory requests a carry-forward of unspent dollars from the FY2008 portion of the ISA in writing to the Buyer.</p> <p>NOTE: e-mail is acceptable, however if the Buyer department requires a hard copy letter or something else to be submitted, the Seller must comply.</p>
Step 2.	<p>Buyer department reviews the seller departments request for carry-forward which includes (1) Reconciling the spending in the Seller budget line for the previous FY, (2) Requesting an increase in its own budgetary estimated receipts for the current fiscal year if necessary, and, (3) Completes any additional internal departmental requirements.</p>
Step 3.	<p>Buyer department approves the request and then enters a BGCN transaction in MMARS for the current fiscal year using event type BG12 with a decrease to the buyer budget line and event type BG12 with an increase to the Seller budget line.</p> <p>The Document Comments Field must include the boilerplate language below:</p> <p><i>Carry-In from FY2008 in the amount of \$ _____ to the FY2009 portion of existing/on file at CTR multi year ISA.</i></p> <p><i>Total maximum obligation of the supporting ISA (all years) is \$ _____</i></p> <p>The BGCN document identification number needs to be done in accordance with the ISA document identification numbering standards. For example: if the last number was ISAEPS00000001POL008A, the carry-in BGCN doc id # would be ISAEPS00000001POL008B or you may use 8CF as the last three digits to stand for FY08 carry-forward.</p> <p>Reminder: If the Buyer department does not agree to extend the total unspent portion of the ISA to the Seller department in the current budget fiscal year, a formal ISA amendment signed by both the Buyer and Seller is required and a copy must accompany the BGCN request that is sent to Office of the Comptroller.</p> <p>Note: The submitter of the BGCN must be an authorized signatory. This serves as the Buyer electronic approval of the request.</p>
Step 4.	<p>Buyer department notifies CTR via e-mail to Susan.Patts-Nagy of the applicable BGCN(s) document identification number(s). CTR then retrieves the document from the work list for review; which includes inserting the applicable revenue source code in the child budget line and processing the document to final status if complete.</p>

ISA-Related BGCN/BGCS Completion

To assist departments with the correct completion of ISA related BGCN/BGCS transactions we have developed a chart for your reference which is located in the CTR Web Portal under the business function Contract/Interdepartmental Business. See "[ISA-Related BGCN/BGCS Completion](#)". Incorrectly completed transactions impacts the time to approve and complete processing.

Please make appropriate department staff aware of this aid for both buyer and seller in the completion of these transactions.

Document Comments

MMARS functionality allows the addition of comments to documents. This field allows a maximum of 1500 characters. Document comments may be queried from the data warehouse from reference table M_Reference_Document_Comments. Currently, the CTR Accounts Payable Bureau, Contracts/Tax Management Unit are using comments for:

Rejected BGCN and BGCS Documents - When a pending transaction is rejected by CTR, a reason for the rejection is entered in the Comments field. In the document catalog these rejects are noted with a 'Yes' in the comment column. As part of a department's daily document catalog management, a department should look for these rejected transactions, review the comments entered and take the appropriate corrective action.

Documents will be physically returned if the department does not correct the errors within 5 business days.

Interdepartmental Chargebacks – Internal Vendor Code

Interdepartmental Chargebacks are fee-based charges for statutorily authorized commodities and services which are available to State Departments on an *ad hoc* request basis, a *public fee* basis, or *statewide* chargeback basis. Departments must have specific legislative authorization to conduct chargebacks.

Departments that were set up for FY2008 as authorized chargeback departments with an Internal Vendor Code and a designated revenue source code DO NOT have to reapply for chargeback status for FY2009. Once approved, all chargebacks will remain active until legislative authorization for the chargeback ceases. IE's may be processed starting July 1st or as soon as House 1 has been loaded.

- To ensure that sufficient funds are set aside by Buyers to support the cost of CHBK performance, Sellers MUST issue IEs for the total anticipated value of the performance for the full period of the need (e.g., fiscal year, monthly, weekly, one-time need).
- Sellers that provide on-going services on a fiscal year basis must submit IEs at the beginning of the fiscal year (starting July 1st or as soon as House 1 is loaded) for anticipated costs for the full fiscal year, and may not submit IEs quarterly or bi-annually for this performance.

Chargeback departments are required to submit IEs to buyer departments PRIOR to providing chargeback goods or services based upon estimated costs. Sellers must then NOTIFY buyer departments by email, phone or fax with the IE DOC ID informing the Buyer that they are required to retrieve the IE and complete the accounting line information within 30 days. Buyers must then NOTIFY seller departments by email, phone or fax with the IE DOC ID informing the seller that the accounting information is complete and that the seller must submit the document to final status. The same process of entry and notification will repeat for the Internal Payment process (ITI – seller, ITA - buyer). Please refer to Job Aids under Internal Business for additional guidance.

- Seller Departments MAY NOT provide chargeback performance unless an IE sufficient to cover the performance is encumbered in MMARS to support the performance.
- Buyer Departments MAY NOT request or accept chargeback performance for which the Buyer does not have, or anticipates that it will not have, sufficient funds to encumber an IE for the performance.

All authorized Seller/CHBK departments will be assigned an Internal alpha Vendor Code that appears as follows:

1. The first four letters "ISELL"
2. The next letter will indicate the legal basis for the chargeback:
"B" (budgetary), "S" (statutory) or "A" for (administrative)
3. The next three letters identify the service identifier (example: bureau of Computer Services charges will be "BCS")
4. The last three letters identify the authorized seller department.

Departments not currently authorized for chargebacks must apply for an Internal Vendor Code. The Chargeback Department Authorization Form is available in the "Forms" section under "Accounts Payable" in the CTR Web Portal and must include the following:

1. Descriptive name of the authorized chargeback.
2. Legal citations AND the actual statutory or legislative language authorizing the chargeback. The language must be explicit. Inferred charges will not be authorized. Budgetary authorization must appear in both the House and Senate versions of the budget or in the final GAA to support the application.

3. A breakdown of the specific charges or the methodology for calculating the charges to a department. The charges or methodology must be detailed and capable of being verified against the actual charges to chargeback departments. Chargeback departments may not charge more than what is authorized in statute or regulation or, if no restriction is identified, no more than the actual costs for providing chargeback services.

Chargeback Department Authorization Forms must be sent in paper or electronically to the CTR Legal Bureau for review. ATTN: Jenny Hedderman or fax number 617-973-2555 or 9th Floor, One Ashburton Place, Boston MA 02108.

Intergovernmental Encumbrances (IE)

Reports from Seller Departments indicate that all IEs have been issued. Beginning June 1st all IEs will go to pend status. Departments should notify John Newell through email to approve the pending IE transactions.

Interdepartmental Voucher (ITA)

All FY Closing ITAs entered between July 1st and August 29st will require Fiscal Year 2008 equal to Budget Fiscal Year 2008 and Period 13 on the accounting line.

Section Eight

Accounts Payable Management

Section Introduction

This section highlights the management of expenditures during the FY2008 Closing and FY2009 Opening processes. Payments must be made in accordance with the Commonwealth's [Bill Payment Policy](#). State Finance Law requires that annual appropriations may be expended only for expenses for the same fiscal year. (See [M.G.L. c.29, §12.](#)) Goods and services to be paid for with current fiscal year appropriations must be received and accepted within that same fiscal year (July 1-June 30) (see [M.G.L. c. 4, §7](#)). Also, you will find detailed information and procedures regarding the closing of Dynacash accounts. The [CTR Web Portal](#) provides information access to policies and procedures and should be consulted for routine business.

Public Information and Privacy Concerns

MMARS transaction IDs (encumbrances, payments, etc.), vendor invoice numbers, contract numbers, check descriptions, and any comment fields MUST NOT contain personal information (such as individual's names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate to identity theft. MMARS transaction IDs and key comment fields may be printed on checks, sent electronically as part of remittance advice, and will appear on VendorWeb (and may be viewable for public records requests), therefore care must be taken that individual personal information is not used.

CLOSING

Payment Request

Under no circumstances should FY2008 funds be used for FY2009 expenditures or vice-versa, unless specifically allowed with appropriate legislative language. The system will automatically reject Payment Requests entered after June 1st that do not reference FY08 encumbrances. Departments should confirm with vendors that all goods and services are to be received or completed by June 30th. If a product acceptance period is required, it must conclude prior to August 31st in time to enable final payments, if any.

Processing Payment Requests

Accounts payable 2008 payment request documents: PRC, GAX, INP transactions in the document catalog that are not in FINAL status overnight on June 30th may reject on July 1st with a variety of error messages and must be corrected immediately.

- During the accounts payable period the **fields - Fiscal Year, Budget Fiscal Year, and Accounting Period** - must be completed for all payment requests.

Coding Payment Request During Accounts Payable Period

Payment made on July 1, 2008 and after:

	Budget FY	Header Fiscal Year	Period	Budget FY	Line Fiscal Year	Period
FY2008 Payment Requests	2008	2008	13	let default	blank	blank
FY2009 Payment Requests	2009	2009	1	let default	blank	blank

Budget FY and Fiscal year are not required fields, but should be entered on the Header. If entered on header, the posting will infer to the accounting line. The accounting line will not show Fiscal Year and Period, but the posting code will.

Inputs to the line, will take precedence over what is entered on the header. i.e.: If you put period 1 on the header and period 4 on the line, the posting code will show period 4.

FY2008 Recurring and Ready payments (PRM/PRN) processed in FY 2009 will reject and will need to be edited/coded accordingly:

FY 2008 PRM/PRN payments:

Header

BFY = 2008

Header Fiscal Year = 2008

Period = 12 or 13 which ever is open at the time.

Line

Let the accounting line BFY default and leave FY and period blank.

Final Payment Request on Hold

All FY2008 payment requests in Final status and that are on hold on DISRQ must be released from hold status by August 28th. Documents in hold status should be handled in one of the following ways:

1. If the vendor is due the payment, release the payment from hold and allow it to disburse.
2. If the vendor is NOT due the payment, choices are:
 - A: If no lines on the payment document have already disbursed discard the payment (cancel it).
 - B: If lines have already been disbursed the document cannot be cancelled; modify the open lines(s) to zero.

For instructions on how to identify final payments on hold, go to (DISRQ User Hold Lookup)

These payment transaction codes include: GAX, GXM, GX9, INP, PRC, PRM, PRN and RA.

Accounts Payable Period

The FY2008 accounts payable period closes on August 30, 2008. After that date, departments will not be able to make payments against FY2008 encumbrances. Friday, August 29 is the last day to finalize all documents prior to the lapse. The Office of the Comptroller plans to lapse all remaining FY2008 encumbrance balances following the conclusion of business on August 30th. The August 30th encumbrance lapse applies to encumbrances in accounts in all appropriation types, in continuing as well as non-continuing accounts. To the extent that a department's necessary FY2008 payments have not yet been finalized, your staff must obtain, validate, and pay any outstanding FY2008 bills.

Late Submission of Invoices – Liquidation of Payment

In rare circumstances, a vendor may fail to submit an invoice for goods and services (performance) that have been delivered prior to June 30, 2008 and have been accepted by the Department as contract compliant. It is presumed that as part of fiscal year closing activities the Department has internally verified receipt and acceptance and the value of the performance delivered on or before June 30, 2008 in accordance with the contract terms, in preparation for verifying invoices once received. Departments should make every effort to notify vendors of outstanding invoices and the value of the performance provided by the vendor that has been verified by the Department.

If it appears that a Department may not receive invoices by August 11, 2008, and the Department can verify receipt of goods and services by June 30, 2008, and the value of the performance in accordance with contract terms, the Department should fax a written notice to the vendor(s) with the following language:

In order to ensure that funds appropriated and encumbered in fiscal year 2008 for the performance delivered does not revert at the end of the accounts payable period on August 31, 2008, thereby becoming unavailable for expenditure, you must submit final invoices no later than August 18th confirming outstanding obligations for performance delivered on or before June 30, 2008. If you fail to respond, a payment in the amount of \$[amount certified by Department] will be scheduled for payment on August 22th which represents full satisfaction of any and all outstanding amounts owed."

Final payments allow the Department to close out the contract without reverting funds that have been properly encumbered for a contract and are available for expenditure. If amounts are disputed, then the Department should make a partial payment at the level certified by the Department and identify any remaining amounts in the encumbrance outstanding. Additional contested amounts would default to the prior year deficiency process for non-continuing accounts.

NOTE: Departments receiving appropriations in FY2008 final supplemental budget must coordinate with CTR Contract Unit to encumber and expend those funds by August 31st. FY2008 accounts payable encumbrances are valid only for services rendered or goods delivered on or before June 30, 2008. Completion of services or delivery of goods after this date means that those services or goods are valid FY2009 obligations and must be paid with FY2009 funds. A department that has routine FY2008 invoicing that simply cannot be completed in time should make use of the Comptroller's "prior year deficiency" process.

Recurring Payments

Ready Payment schedules have been established to support system-produced transactions throughout the accounts payable period.

The Settlement period is the final yearly period on each recurring schedule and is to be used for the close out reconciliation.

It is important to note that any PRN that has been generated must be fully recovered by close of business June 30, 2008.

Request for Advance (RA), Expenditure of Advance (EA), Advance Refund (AR)

The department must account for all FY2008 advances before any FY2009 advance will be processed. Payroll advances should be deposited into the bank by noon on July 1. The corresponding AR should be entered in MMARS prior to July 3rd and will workflowed to the Accounts Payable Bureau (APB) for review and electronic approval. Departments with non-payroll advances should complete the advance refund process by August 27th.

Closing Advances

To close the type 05 (DYNACASH) FY2008, the following steps must be taken:

1. Process Expenditure of Advance (EA) for expenditures incurred
2. The department deposits a check into its sweep account.

3. The department prepares an AR and submits the AR to a PENDING status. When viewed on the document catalog, the amount must be \$0.00 reflecting that this is a net zero payment. Refer to the AR Job Aid for details on document completion.

Departments with Emergency Payroll Dynacash Accounts

This subsection pertains to Dynacash accounts used for emergency payroll payments at fiscal year end. All departments must account for FY2008 advances prior to FY2009 advance requests. We recognize that there is a timing issue for Dynacash accounts and related advance processing at fiscal year end when there have been emergency payments issued.

If there is a need to issue an emergency payroll check from a department's Dynacash account for the payroll period May 25^h – June 7th (checks dated June 13th), then the recoupment of the Dynacash amount in the following payroll cycle, June 8th – 21rd will be credited back to the department's Dynacash account on June 27th.

If there is an employee check problem during the June 8th - June 21rd cycle, departments will need to issue a Dynacash check on June 27th. This payment must be issued from an FY2008 advance. FY2009 requests for advance (RA) may be entered into MMARS during June in a reject status. E-mail request to the Payment Unit.

(See the [Comptroller Staff Directory](#)) to support immediate activation of FY2009 advance should be forwarded to CTR by June 30th. Funds will be available July 1st for approved requests and the transactions will then be processed on July 2nd or July 3rd.

A few departments will have FY2009 requests for July 11th payroll checks pending before the return of the FY2008 advance. In those cases, the request for the FY2009 advance must be accompanied by the CFO's verification that a Dynacash deduction is pending for a June 27th credit.

Prior Year Deficiencies

Departments should submit their Prior Year Deficiencies as soon as they are aware of them so that we can plan for them. Completed requests to pay prior year deficiencies out of FY2008 funds must be submitted to the Comptroller's Office, Accounts Payable Bureau, no later than June 30, 2008.

It is inappropriate, and a state finance law violation, to intentionally delay acceptance of invoice, or to hold or delay processing of invoice past the end of the accounts payable period in order to trigger payment through a prior year deficiency. Equally inappropriate, is intentionally delaying receipt or acceptance of goods, services or other performance past June 30th in order to move the obligation into the next fiscal year because there are insufficient funds in the current fiscal year to make payment. CFOs should remind staff of state finance law obligations and that violations are actionable under [M.G.L. c. 29, s. 66](#).

OPENING

Payment Request

From July 1, 2008 through September 15, 2008 all Payment Requests transactions must have the identifying FY and BFY fields filled out with the appropriate information on all headers. For FY 2008 payments, the header should be set up as FY2008, BFY2008 and for FY2009 should be set up as FY2009 and BFY2009 with the appropriate accounting period.

Advances

Emergency Advance accounts are recommended in all departments. No requests for advances will be approved for FY2009 until all FY2008 advances are properly accounted for. There may be a few departments that will have FY opening requests for June 27th payroll checks pending before the return of the FY closing advance. In those cases, the request for the FY 2009 opening advance must be accompanied by the CFO's verification that a DYNACASH deduction is pending.

Vendor Communications - Invoice Number and Payment Remittance Information

The Vendor Invoice Number is the primary communication vehicle on the remittance advice (both electronic and paper). This number is 30 characters and must be unique for each payment made to a payee/customer. As part of a Department's opening activities, it is crucial to have standard procedures for establishing Vendor Invoice Numbers. Where possible, vendors should be consulted prior to a change in the basic data or format of the vendor invoice number (payment reference number).

Two standard lines of vendor invoice related data appear on the remittance advice or EFT file. Line 1 includes the Vendor Invoice Number, the transaction ID of the payment request, and the department telephone number, which is disbursement contact information taken from unit table or, if not established there, from the department table, and amount. Line 2 includes the department location and department name, taken from Unit or Department Table as appropriate. This data appears on both EFT and checks.

Section Nine

Payroll/LCM Management

Section Introduction

This section provides detailed guidance on finalizing year-end payroll processing. Departments should read these instructions thoroughly to minimize unnecessary delays and problems with the fiscal year closing.

Expiring Accounts – Limits on Expenditure Corrections

State Finance Law requires that funding be in place before services or other obligations can be requested or accepted by contract employees or regular employees (including contractors or employees funded through an ISA). Specifically, under [M.G.L. c. 29, §26](#); [M.G.L. c. 29, §27](#); and [M.G.L. c. 29, §29](#) departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) without a sufficient appropriation and allotment.

If accounts are expiring, contracts must be terminated or suspended, personnel must be terminated, or contracts or personnel must be transferred to authorized appropriations.

Departments are also reminded that when they certify an expenditure, the department is certifying that the expenditures were properly made from authorized accounts. The Comptroller may not make journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to HOU and SEN Ways and Means. See [M.G.L. c. 7A, §3](#).

LARQs are appropriate only to correct accounting mistakes. LARQs should not be utilized to transfer expenditures incurred in one account in anticipation of funding in another account (such as waiting for an ISA, federal funds, or a supplemental appropriation). Expenditures for personnel or contract employees that are transferred to other account(s) because an account was not reauthorized, was reauthorized late, or was not established (child account for an ISA) may not retroactively transfer the expenditures incurred in the other accounts to the reauthorized or newly established account. See Expenditure Correction policy in Section 3.

Split Year (Cross FY) Payroll

Split Year for FY2008-FY2009 will span the pay period 6/29 – 7/5 and will be processed on Tuesday July 8th. On July 9th, the MMARS system will be down all day.

Split Year Payroll will be consistent with last year's practice. Key points to remember are:

- Current pay period postings will be prorated based on 10 workdays in the period.
- Prior Period Adjustments will charge 100% to prior Fiscal Year.
- The Split Year memo will provide details about distribution percentages and exceptions.

Payroll Management

New Object Code

A new object code has been established to differentiate between regular compensation and supplemental amounts added to pay. The earning codes that relate to union payments around longevity, education or location will be mapped to this new code. These payments were created over several years, and were inconsistently applied to the A01, A07 and A14 object codes. They will now all be mapped to a new AA1 object code, and the FY2009 Expenditure Classification Handbook will reflect that change. Here is the definition:

AA1 Salaries: Supplemental – additional payments to employees' salary, as provided in a collective bargaining agreement, to increase the rate of pay due a particular characteristic that differentiates one employee from another. Examples of these include longevity payments, education incentives, bilingual differentials and facility (area) differentials.

Contractor Payroll Contract Employees

Employees cannot be consultants. [M.G.L. c. 29, § 29A](#) applies only to “non-employees” and therefore does not apply to contract employees. The [Expenditure Classification Handbook](#) provides object codes for contract employee types.

The contract requirement for having a Commonwealth Terms & Conditions and a valid Standard Contract Form executed by the department and the contract employee remains unchanged. For FY2009 performance, a Standard Contract Form must be executed or renewed no later than June 30, 2008.

Contract employee pay will be subject to the same funds availability controls as regular employee payroll; however, funding of regular employees will take priority over contract employee processing. Regular employee payroll will not be held if funds are insufficient to pay contractors.

Rules

Position Authorized Accounting (POAA) Rules

In order for expenditures to be directed from an appropriation different than the HR/CMS position assigned appropriation, Departments must first receive CTR POAA Rule approval prior to establishing the appropriate LCM distribution document.

Rules are Fiscal Year based. In June, CTR will roll all POAA Rules. The POAA roll expires all of the current Rules as of 6/30 and creates DRAFT rules effective 7/1 going forward. *Departments will need to resubmit approval requests for any Rules continuing 7/1 and thereafter.*

Note: Payroll Alternate Account (PALT) does not roll; therefore, new PALTs will need to be entered.

Payroll Rejects (PRLIF/PRLDE)

PRLDE transactions are generated when an HR/CMS payroll expense has missing or erroneous data (i.e., incorrect expense budget or a missing program code, etc.) or when there are insufficient funds in a departmental budget.

PRLIF transactions are generated when there are insufficient funds in the central budget.

All FY2008 Payroll reject transactions and payroll accounts with negative uncommitted and unexpended balances must be corrected by July 11, 2008. Departments must post payroll rejects to accounting period 12 in Fiscal and Budget Year 2008 to ensure that payroll expenditures are recorded in the appropriate fiscal year.

Regular Employee and Contractor Payroll Refunds (PRRV)

Payroll Refunds should be processed immediately. Departments must deposit cash to their sweep accounts and submit the Payroll Refund Receipt Voucher (PRRV) form and MMARS document to ensure employee Retirement and Departmental Appropriation balances are updated in a timely manner.

After the department enters PRRV MMARS document detailing the cash deposits, CTR Payroll and Retirement Board staff must enter the PRRV employee corrections in HR/CMS and the Retirement system. The HR/CMS transaction updates labor history in LCM and creates PRRFC (current year) or PRRFP (prior year) documents in MMARS. CTR Accounting then reconciles the PRRFC and the PRRV MMARS transactions.

It is the department's responsibility to ensure the Prior FY Refund (Receipt Voucher) is processed in a timely manner. This will ensure the PRRFP is processed during the allotted close/open time frame.

For detailed instructions see [Job Aid regarding PRRV](#).

Payroll Hold Transactions

Accounts Payable payroll refers to payroll expenses (wages) earned on or before the end of the Fiscal Year (June 30th) but paid during the accounts payable period. All Accounts Payable payroll expenditures – including Federal Grants* - must be set aside as encumbrances in MMARS via a Payroll Hold (PH).²

Payroll Holds are needed at the Object Code Level for AA, BB, and CC expenditures to support payroll. **If PHs are not processed in time, expenditures will go unfunded and checks will be held.** (All PHs will be work flowed to CTR in order to help ensure proper setup.) Please be sure to set up PH lines with all anticipated object codes.

Departments create and modify all PH documents in MMARS. Departments can modify the PH amount upwards and downwards with the following level of approval.

- Between the time periods of May 1st to May 23rd all valid PHs should process without ANF's approval.
- Between May 24th to June 30th ANF approval is required for PHs processed by Executive Departments where the Appropriation type is all account types and the amount is equal to or greater than \$25,000 (See details in Encumbrance Section).
- After June 30th, all PHs do not require ANF's approval but require a justification for the late encumbrance in the document comment section.

At the end of the accounts payable period, unspent balances will be lapsed as part of the Comptroller's lapsing program. A deficiency payroll process should handle any Accounts.

ANF Platform

To access the Platform program, it must first be installed on your desktop. Please go to the Commonwealth of Massachusetts [Administration and Finance website](#) for instructions on how to install the application. After installing it, double-click on the icon on your desktop. You will be prompted for your ID and password, which are the same as the ones you used to complete spending plans this year. To enter a new request, or to review the status of a request, click on the Platform menu and the option "Late Encumbrance Requests". To add a new user, please contact [Thong Tran](#) at ANF.

Accounts Payable Payroll

State Finance Law requires that annual appropriations may be expended only for expenses for the same fiscal year. (See [M.G.L. c.29, §12](#).) This means goods and services to be paid from current fiscal year appropriations must be received and accepted within that same fiscal year (July 1-June 30) (see [M.G.L. c. 4, §7](#)).

All payroll expenses processed during the Accounts Payable period must charge a Payroll Hold and must be budgeted for when calculating UI/UHI and Medicare Chargebacks (Object code DO9).

Departments will have at least three opportunities to process accounts payable payrolls between July and August for services performed during FY2008. The Split year Pay period is NOT part of Accounts Payable.

Funded/unfunded activity will appear on the current LCM Predictive Reports. There will not be separate Fiscal Year Reports.

The LAST REGULAR ACCOUNTS PAYABLE PAYROLL is PPE August 16th; pay date August 22nd.

²It had been intended to lift the requirement, but testing revealed that even though LCM doesn't require the PH for Federal Grants, MMARS does. If PHs are required for any type of Appropriation, it must be required for all. Therefore, the requirement is still in place.

Departments with Emergency Payroll Dynacash Accounts

All departments must account for Fiscal Year advances prior to making any current Fiscal Year advance requests. Dynacash payments must be recorded in the Fiscal Year that corresponds to the Pay Check Pay Date. All HR/CMS paychecks have a Friday Pay date.

To ensure the proper Fiscal Year accounting, the following guidelines have been established:

- If there is a need to issue a Dynacash check for pay period May 25th – June 7th (checks dated June 13), then recoup Dynacash in the following pay period (6/8- 6/21) and credit back to the department's Dynacash account on June 27th.
- If there is a need to issue a Dynacash check for pay period June 8th - June 21st (checks dated June 27th), this payment must be issued from an FY2008 Dynacash account. FY2009 requests for advance (RA) may be entered into MMARS during June in a reject status. Documentation should be forwarded to CTR and processed on July 1st. Please e-mail Payment Unit (See the [CTR Staff Directory](#).) with any emergency requests.
- Departments with pending FY2008 Accounts and FY2009 emergency requests must submit with CFO's verification that a Dynacash deduction is pending for a June 30th credit.

Dynacash cannot be used to pay unfunded payroll expenditures.

OPENING

Payroll Processing

For budgeted funds, intergovernmental and federal grant accounts, provisional obligation ceilings will be loaded in MMARS in May. Employee payroll will be processed and payments will be issued in accordance with the approved interim budget. Special processing is not required if your FY2009 payroll appropriation was part of the House 1 load. ANF and CTR will work with departments to address any situation where timely extension of expiring accounts does not occur and the FY2009 payroll account does not exist in MMARS.

After the FY2009 General Appropriation Act (GAA) has been loaded, departments must reconcile the accounting discrepancies resulting from the fiscal year transition period. CTR, HRD, ITD and ANF staff will be available to assist departments on account structuring, position scheduling, and other changes after the Governor's approval.

Split Year

Split Year payroll processing will be consistent with last year's practice, and departments should familiarize themselves with them and the Split Year Section of this document.

Payroll Accounting

HR/CMS Processing

Assigning Accounts to Positions is an HR/CMS human resource function and must be managed in accordance with the new Fiscal Year's GAA. Expiring accounts that are assigned to positions must be transferred by July 1 otherwise departments risk funding issues.

Note: Consolidating departments or departments with major account restructuring should contact CTR and HRD to arrange for mass automated position transfers and related security changes.

Determination of Employee Work Status - Contract Employee vs. Independent Contractors – Posting or Procurement?

Departments hiring “Individual Contractors” as either “contract employees” or “independent contractors” are required to comply with the policy [Individual Contractors - Independent Contractors or Contract Employees](#).

A department does not always know in advance whether services can be best performed by an individual contractor or by a company or firm. Therefore, whenever services are being performed, the department should apply the Commonwealth Three-Part Test to the business needs by completing the [Employment Status Form](#).

Contract Employees

If the scope of performance determined that this is an employee/employer relationship, the department may hire an individual as a contract employee through its regular recruitment process for other employees. Payments must be either through HR/CMS or e*mpac. For contract employees, the Commonwealth Terms and Conditions and the Standard Contract Form must be executed. To confirm the employment status when a contract is signed with an individual contractor selected from either an RFR (independent contractor) or posting (contract employee), attach a completed Employment Status Form to the Standard Contract Form.

The Attorney General's Office (AGO) may impose penalties if the three-part test show that an individual should be a contract employee and the individual was misclassified as an Independent Contractor.

Independent Contractor

If the test determines that the individual falls into the Independent Contractor category, Executive Departments must use an existing statewide contract (unless a waiver is granted by the Operational Services Division (OSD)). If there is no statewide contract, the department may:

- Use an incidental purchase if the total value of the services for the duration of the need is \$5,000 or less, if object code allows. See link to Expenditure Classification Handbook - [Expenditure Classification Handbook](#),
- Conduct an RFR/procurement if value of the services for the duration of the need exceeds \$5,000.

Exception: Object Codes H09 and N03 for legal services procured by Executive Departments require prior approval of the Governor's Chief Legal Counsel prior to selection under MGL c. 30, s.65 and 801 CMR 21.01(2)(b) and prior AGO approval. These object codes also require secretariat sign-off for amounts over \$1,000. Independent Contractors must be paid through the State Accounting System (MMARS).

LCM Rollovers

In conjunction with new Fiscal Year processing and potential changes in MMARS Chart of Account Elements, certain tables in LCM must be maintained.

POAA Rules will be rolled automatically and will not be effective as of July 1. PALT Rules expire on June 30th. When payroll processes for July, these Rules will NOT be considered. Departments must reapply for All Rules. See the Rules section of this document.

Other distribution tables (DEACC and PCREQ) will remain effective through the new Fiscal Year and will be considered when payroll processes. Departments are responsible for ensuring these tables are in accordance with any new Fiscal Year COA.)

Employee Defaults (DEPTE) and Profiles (LDPR and EDPR) will remain effective through the new Fiscal Year and will be considered when payroll processes. Departments must ensure that employee distributions and profiles are valid. Any new FY COA elements will require new distribution documents effective as of July 1.

Note on POAA Roll- CTR will roll all POAA rules that have an Effective Date that would exceed June 30. The automated Roll will create a new POAA document in DRAFT status with a Begin Date of 7/1. Departments will need to reapply for approval in the new Fiscal Year. The former POAA will remain active but will only apply to activity prior to 7/1.

Payroll Certification

All expenditures, including payroll, of the Commonwealth must be authorized in accordance with [M.G.L. c. 29, § 20](#), [M.G.L. c. 29, § 31](#), and [M.G.L. c. 7A § 3](#). Expenditures for payroll are no different than expenditures for goods and services when it comes to the approval process. **Pursuant to M.G.L. c. 29 § 31, the Comptroller requires certification from each spending authority that each employee receiving a salary under the warrant is being paid for duties performed directly for the employing agency and not for duties performed for another state agency.** Expenditures under HR/CMS are paid in arrears based on a centralized time and attendance system, which must be certified by an authorized department head signatory as follows:

This payroll has been processed in accordance with the Commonwealth's Payroll Policy, State Finance Law and this department's Internal Control Plan. The amount listed has been certified to the Comptroller through the payroll system for payment. This certifies that time and attendance for each employee is on file in this department and has been approved by the appropriate manager to support amounts paid. This approval and supporting details will remain on file in this department for three years for review by the Office of the Comptroller or other auditing entity.

Department Head Signature Authorization may NOT be delegated to a "contract" employee, to any "non-employee" (such as a consultant, or employee of an outside entity, an Authority or quasi-public agency) or to an employee of another department since these individuals may NOT act as agents of the Department Head.

MMARS Rollover Validation

Tasks in this section will help ensure HR/CMS, LCM and MMARS rolls have been completed, the data validated and systems are ready to record new FY activity.

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	Departments that have Positions tied to non continuing accounts	Identify the employees/positions that must be transferred due to account termination.	HR/CMS	4/30	6/12
<input type="checkbox"/>	EOHHS Departments	Review Activity table for EOHHS requirements	MMARS	5/9	5/31
<input type="checkbox"/>	Departments with Federal Grant Appropriations	Review Major Program table	MMARS	5/9	5/31
<input type="checkbox"/>	Departments that fund payroll with Capital (type 2) or Federal Grant (type 4) appropriations	Review Program table for Grants/Capital	MMARS	5/9	5/31
<input type="checkbox"/>	Departments that fund payroll w/ DCAM child appropriations	Review Program/Activity/Phase table for Capital Level 4 budget	MMARS	5/9	5/31
<input type="checkbox"/>	Departments that have LCM Detail Accounting Labor Distribution Fields	Identify Chart of Accounts codes to be added, changed or deleted on LCM Defaults	LCM	5/9	5/31
<input type="checkbox"/>	Departments that use POAA	Review new FY POAA Rules generated by Rules Roll. "Submit" continuing POAAs, "Discard" the non continuing POAAs.	LCM	5/30	6/12

New Fiscal Year Processing

This section includes the tasks for setting up all Tables for new FY processing.

As new FY changes are identified and documents created, it is important to use the correct Effective Date that corresponds to distribution. Generally a 7/1/XX Effective Date corresponds to new FY COA Tables.

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	Departments with non continuing payroll accounts	Transfer Positions that are assigned to invalid accounts in the new FY. Contact HRD to arrange Mass Position transfer.	HR/CMS	4/30	6/12
<input type="checkbox"/>	Departments that use Event Accounting Rules distribution	Verify whether current Department DEACC Rules should continue for new FY processing	LCM	4/30	6/12
<input type="checkbox"/>	Departments that use Alternate Account for payroll funding	Set up Alternate Accounts (PALT) Rules for new FY	LCM	4/30	6/12
<input type="checkbox"/>	Departments with "required" non-statutory COA elements	Review PCREQ Table for new FY	LCM	4/30	6/12
<input type="checkbox"/>	Departments that use POAA	Confirm POAA Rules are in "Approved" Status for new FY	LCM	6/1	6/30
<input type="checkbox"/>	Departments with changing COA elements	Set up Employee Default Distributions: DEPTE, LDPR and EDPR as desired for new FY	LCM	4/30	6/12
<input type="checkbox"/>	All Departments	Finalize MMARS Expense Budget Docs	MMARS	4/30	6/12
<input type="checkbox"/>	Departments that have Capital (type 2) or Federal Grant (type 4)	Finalize MMARS Capital and Grant Budget Documents	MMARS	4/30	6/12
<input type="checkbox"/>	All Departments	Create PH documents if required for AP Payroll	MMARS	4/30	6/30
<input type="checkbox"/>	All Departments	Before renewal, perform Contract Employees vs. Independent Contractors tests. Independent Contractors must be paid through the State Accounting System.	MMARS HR/CMS or e*mpac	4/30	6/30
<input type="checkbox"/>	All Departments	Process prior FY PRRV/PRRFC transactions in non-continuing accounts	MMARS	4/30	6/21

New Fiscal Year and Accounts Payable

This section includes tasks and other key dates for Payroll Processing

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	All Departments	Enter Time and Attendance for Split Year payroll.	HR/CMS	6/26	7/7

<input type="checkbox"/>	All Departments	All prior FY payroll accounts with negative uncommitted and unexpended balances must be corrected.	MMARS		7/7
<input type="checkbox"/>	All Departments	Set-up Employee Default Distributions for Split Year payroll: DEPTE, LDPR and EDPR.	LCM	6/26	7/8
<input type="checkbox"/>	All Departments	Deadline for correcting prior FY PRLIF and PRLDE documents.	MMARS		7/7
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 7/19/08	HR/CMS		7/21
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 8/02/08	HR/CMS		8/4
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 8/16/08	HR/CMS		8/18
<input type="checkbox"/>	All Departments	Last day to enter Final AP payroll for FY2008	HR/CMS		8/30
<input type="checkbox"/>	All Departments	Last day for FY2008 LARQs	LCM		8/29
<input type="checkbox"/>	All Departments	Payroll Hold (PH) Lapse	MMARS		8/31

How Do I Learn More?

Questions about this document may be directed to your Department's MMARS Liaison. Additional information is available on the [CTR Web Portal](#).

Contact the Help Desk at 617-973-2468 for assistance in using LCM and MMARS
Contact Commonhelp at 1-866-888-2808 for any HR/CMS questions.

Section Ten

Revenue Management and Cash Receipts

Introduction

Departments are responsible for making diligent efforts to collect legislatively authorized, aged earned revenue/account receivables owed the Commonwealth. These efforts include, but are not limited to, the following debt collection cycle: initial billing, dunning, intercept, and debt collection. If all efforts are made and collection is not possible, a department can submit the debt to the Office of the Comptroller (CTR) for write off. In addition, Departments must pay special attention to year end closing instructions to account for all cash receipts in the appropriate fiscal year.

Key Cash and Revenue Management Dates:

Please note: Throughout the fiscal year, Departments should continuously review MMARS to identity and clean up REs and CRs not in final status and process all customer overpayment returns.

Date	Activity
June 6	Last day to submit FY2008 Write Off Requests to CTR
June 12	Target date for cleaning up any REs and CRs not in FINAL status in MMARS, and processing all customer overpayment returns
June 27	Last day to process all FY2008 Transactions requiring CTR/ANF approval
June 30	Last day to receive cash for FY2008
July 1	<ul style="list-style-type: none"> • NOON Cash cut-off – Cash must be deposited by noon • Suspend MMARS Warrant Intercept Processing against delinquent receivables
July 3	<ul style="list-style-type: none"> • Final day to enter FY2008 REs • Final day to verify that all FY2008 REs and CRs referencing REs are in final status and are ready for the RE Roll on July 5, 2008 • Final day for departments to submit invoices for 2008 debt collection payments.
July 5 and 6	FY2008 RE Roll to FY2009. Please note: <ul style="list-style-type: none"> • No department statements will be generated until the department's FY2008 receivables roll. • Departments will not be able to process FY2009 CRs against prior year receivables until the department's receivables roll. • CTR will not process any Bank of America CMCR lockbox CR transactions until after the department FY2008 receivables roll. CTR will not process any MMARS Warrant Intercepts against delinquent receivables until all FY2008 receivables roll.
August 18	Final day to complete reconciliation of NGA208W Accounting Period 12 of FY2008.

Reports that can assist departments in reviewing their Accounts Receivable activity are:

Report ID	Report Title	Description
NAR401W	Accounts Receivable Detail Transaction Activity for FY XXXX, Period XX	Billed Earned Receivables and Collected Earned Revenue
NAR402SD	Cash Receipt Generation Detail Report	Detailed CRs automatically generated by CMCR lockbox or ePay
NAR403BD	Master Lock Box Daily Deposit - Detail	Copy of Bank file for individual CMCR lockbox transactions
NAR405S	Revenue Statement Report	Unbilled Earned Revenue, Billed Earned Revenue, Collected Earned Revenue, Collected Unearned/Def Revenue
NAR410SD	Aging Receivables Report - Detailed Aging Receivables by Dept, Unit, and Billing Profile	Days past due (0-30, 31-60, 61-90, 91+)

Report ID	Report Title	Description
NAR411WD	Accounts Receivable and Revenue by Department Report	Prior FY Revenue, Current FY Revenue, BFY O/S Receivables, Pending O/S Receivables, Uncollectibles, Deferred
NAR411WU	Accounts Receivable and Revenue by Dept and Unit Report	Same as NAR411WD
NGA208W	Cash Received and Allocated by the Commonwealth for FY XXXX, Period XX	Collected Earned Revenue

Cash Receipts (CRs)

Cash receipts on hand or on deposit as of June 30, 2008 are FY2008 assets and revenue of the Commonwealth and need to be reflected as such on the annual financial statements.

Final deposits for June 30th collections must be posted by the bank by noon on Tuesday, July 1, 2008. To ensure that all deposits reflected in clearing accounts are properly posted for the FY2008 closing, departments should enter CRs at the same time that the deposits are made for cash received through June 30th. All FY2008 CRs should be entered by July 3, 2008 and must be marked Period 12 AFY2008 and BFY2008. Care must be taken in preparing CRs either manually or through an interface so that they are marked with the proper fiscal year.

The Office of the Treasurer and Receiver General (TRE) will process sweeps to properly credit deposits received by noon on July 1st. In the event that funds deposited with the bank by noon July 1st are swept late or posted to the opening year by TRE, the CTR General Accounting Bureau will work with departments to adjust these funds back to FY2008.

Adjustments to fiscal year that cash was received will be made **ONLY** with proof of deposit (i.e., a deposit slip/receipt, stamped with date/time, by the bank) **and** a certification signed by the department's CFO.

All sweep/clearing accounts (Fund 0699 / RSRC 6900) must be zero by the close of period 12. Departments that need assistance should contact the General Accounting Bureau.

Cash Management Central Remit (CMCR) Lockbox and Electronic Payment (ePay) Processing

Deposits received at all sponsored lockbox banking facilities by 11:59 p.m. on Monday, June 30, 2008 will be recorded in MMARS as FY2008 revenue. The bank will provide CTR two separate deposit files: one for collections received by 11:59 p.m. on June 30; and one for those received at 12:00 midnight and after on July 1.

Deposits received through the ePay process by 11:59 p.m. on Monday, June 30, 2008 will be recorded in MMARS as FY2008 revenue. The ePay vendor will provide CTR two separate deposit files: one for collections received by 11:59 p.m. on June 30; and one for those received 12:00 midnight and after on July 1.

CTR and Departments will reconcile the lockbox and ePay deposits to MMARS to ensure that the deposits have been recorded in the appropriate fiscal year. CTR will make any corrections.

Reports that Departments can use to reconcile their lockbox and ePay CRs and deposits are the NAR402SD - CR Generation Report; and NAR403BD - Master Lockbox Daily Deposit Report.

Credit Balances

Departments are encouraged to apply credit balances to outstanding REs or issue refunds to customers before June 30, 2008. Customers with credit balances can be found on the Customer Account Table (CUSTA) under the Unreserved Credit Balance field. Credit balances are placed in the 2257 balance sheet account, which will roll the cash to the next fiscal year and allow departments to apply the credit to future REs or issue a refund.

Revenue Refunds Type One

Departments that have processed a revenue refund and have referenced the CR on the refund type one (RF1) to reverse the payment applied to a receivable will notice that the refund type one (RF1) is not backing out the cash against the receivable. The receivable appears as closed with a payment being applied. Once the refund type one has been processed, the cash is refunded. Departments will need to use the forward reference keys on the receivable to follow the audit trail of the refund.

Departments can view their revenue refunds (RF1) by querying the M_GA_Accounting_Journal and including the event type codes AP08 and AP10.

Refunds processed due to an overpayment are not affected by this business policy. Overpayment refunds reference the overpayment line of a CR, which is event type AR40 and should be processed by June 30, 2008.

In continuing accounts (2CN, 3TN and 4FN) the uncommitted balance is rolled forward into the new fiscal year as the beginning balance. Therefore, after the balance forward occurs refunds must be processed as a payment (PRC or GAX) rather than a revenue refund (RF1).

Intercept Refunds

Departments that have had an intercept against a MMARS receivable and need to refund the debtor can process a refund type one (RF1) referencing the receivable revenue budget (event type AP10). Departments cannot reference the IT document on the refund. Rather, they should enter the IT document number of the incorrect intercept in the description field under the accounting line section for audit purposes. This field can be queried in the future if needed. This action does not reverse the cash that has been applied against the receivable.

Statutory vs. GAAP Receivables

Statutory receivables are defined as receivables due from a governmental body that are related to expenses incurred on or before June 30th and collected by August 31st. On the other hand, GAAP receivables are defined as receivables that are related to expenses incurred on or before June 30th, collected after August 31st and are measurable.

Type of Receivable	Goods or Services Rendered	Revenue Received	Gover nment	Private
Statutory	On or before June 30 th	On or before August 31 st	Yes	No
GAAP	On or before June 30 th	August 31 st and the amount due is absolutely known and certain to be collected.	Yes	Yes

Departments must contact Eric Dickstein, Manager of the Comptroller's Reconciliation Unit, if they have (or think they have) statutory receivables. Instructions will be sent under separate cover to departments with statutory receivables.

RE Roll Information

FY2008 RE document accounting lines with open balances are rolled into the new fiscal year. This means that any RE that has at least one line with a Line Amount greater than the line's Closed Amount will roll into the new fiscal year.

Because only those REs in a Final status with an open balance will roll, it is imperative that departments ensure that all FY2008 RE, RE modifications and CRs referencing REs are in FINAL by July 3, 2008.

The RE Roll will:

1. Create a new RE Modification version.
2. Add the text *Roll Document from 2008 to 2009* to the RE Header Document Description field.
3. Increase the Budget Fiscal Year value on the open RE line (only this line) from 2008 to 2009.
4. Select an RE line Reason Code of *ROLLRE*.
5. Create one Posting Line that decreases Billed Earned Revenue in BFY2008 and one Posting Line that increases Billed Earned Revenue in BFY2009.

The result of rolling the open RE lines is a decrease to the Billed Earned Revenue on the BQ82 tables in BFY2008 and an increase to the Billed Earned Revenue in BFY2009.

The CTR General Accounting Bureau, Accounts Receivable Unit will contact departments that use the RE document during the month of June to assist in document cleanup as well as confirm the exact roll date for each department. REs created as a result of automated central draw transactions related to federal grants will not roll (See Section 4 for more information about Federal Grants).

Payment Plan

All cancelled PSCHD records associated with a receivable that have an open balance must be marked "ready for deletion" by June 30, 2008. Records not marked for deletion that result in receivables rolling to the New Year will not be able to be modified – the error message will read: "RE is associated with a payment plan". To prevent this, departments should select "ready to be deleted" for all cancelled PSCHD records with an open RE balance.

Maintaining One Summary Receivable across Fiscal Years

Departments that post a summary receivable and maintain it across fiscal years need to understand the difference in adjusting their outstanding receivables in MMARS.

Receivables are modified (increased and/or decreased) by completely blanking out the dollar figure on the accounting line amount and entering the new actual amount. When estimating the account receivable amount for the new fiscal year, a department will need to add the previous billed amount (which is the current accounting line amount) to the new estimated amount and use that as the new amount on the accounting line.

For example: If a summary receivable was billed for \$1,000,000 in FY2008 and a department wants to estimate the new billed amount to be increased by \$1,500,000 for FY2009, the department will need to modify the existing accounting line amount field to \$2,500,000. This number represents last year's billed amount of \$1,000,000 plus the current estimated billed amount of \$1,500,000.

Debt Collection

The Commonwealth's statewide contract for debt collection services engages private entities to collect outstanding debt on behalf of the Commonwealth. All information about this contract is available from the Commonwealth's procurement website, www.comm-pass.com, and searching on the contract number PRF28designatedOSC. If after reviewing this information Departments continue to have questions, they should send them to: debtcollectioncontract@massmail.state.ma.us.

All FY2008 collections made by a debt collection agency on behalf of a department must be deposited into the department's approved bank account by noon July 1, 2008. Departments should remind debt collection agencies of this deposit requirement to ensure accurate accounting of FY2008 debt collected.

Departments also need to remind debt collection agencies that reporting and invoicing requirements may differ from their normal reporting/invoicing schedule, but are required for proper fiscal year end closing: No later than July 3, 2008 the debt collection agency must submit the required standard electronic debt collection report and invoice for all debt collected through June 30, 2008. Departments should review this information for accuracy and process any resultant payment vouchers no later than July 3, 2008.

Receivable Modifications Totaling \$100,000 or More

Receivable modifications and write-offs serve two distinctly different purposes. Modifications adjust a legitimate receivable to accurately reflect its current amount (job aids describing creating and modifying receivables are available in the Accounts Receivable section of the Comptroller's website. Write-offs are requested when a department has exhausted all efforts to collect the debt. Write-off requirements are described in greater detail below.

Receivable modifications that total \$100,000 go to a PENDING status in MMARS and require approval and override from the CTR General Accounting Bureau. Departments need to submit a request for Receivable Modification to increase or decrease Receivables. The Receivable Modification Request form, along with its accompanying CTR policy on Reporting of Earned Revenue/Accounts Receivable is available from the [Comptroller's website](#).

Write-Off

All write-off requests must be sent to Susan Tribble, Accounts Receivable Unit Manager in the General Accounting Bureau in writing by June 6, 2008 in order to be approved for FY2008. Departments that have a large number of write off requests (over one hundred receivables) will be required to interface a write off file once their write off request has been approved. Departments requiring adjustments after the close of period 12 should contact the General Accounting Bureau at CTR.

Prior to submitting a write off request, departments must attempt to collect the debt either through intercept, debt collection or both, unless legislatively authorized to be exempt from these requirements.

The following guidelines are to be used for departments requesting a write off:

- The account receivable(s) being written off must be on BARS. If not on BARS, a reason must be specified.
- Departments must submit a formal letter and include a copy of the write off request form (available on the CTR website).
- Original evidence documentation must be submitted with the request showing that diligent efforts were made to collect. Types of evidence documentation may include a debt collection agency's close and return report, bankruptcy rulings, the use of intercepts, etc.
- If a department does not have evidence documentation for their request, the department must provide a copy of their legislative authority preventing them from using any type of collection methods.
- Debt Collection Agencies may not refer any debt directly to the Office of the Comptroller to be written off.
- Requests that do not have sufficient documentation and/or are partially completed will be returned to the department for completion.

The write off transaction (WO) automatically reduces to zero the remaining debt of a receivable event. Departments can view their write offs by querying the M_GA_Accounting_Journal and entering event type code AR86 and a classification code of 15.

Cash Reconciliation

Departments should reconcile revenue and cash on a monthly basis within 5 days of month end. (This includes CD, CR, ER and PRRV documents.)

Monthly Cash Reconciliation

Bank statement deposits must be reconciled to cash deposits on a monthly basis. Please note that a deposit made on the last day (or close to the last day) of the month may not appear on that same month's bank statement.

Tools for Cash Reconciliation

Departments have a variety of tools available to aid in the monthly reconciliation. The MMARS central revenue budget table BQ82 level 3 lists the deposits (CD) and allocated revenue (CR). These transactions can be accessed by clicking on the hourglass under the collected earned revenue or the collected/unearned revenue fields. The M_GA_Accounting_Journal from the Information Warehouse can be queried to list both deposits and allocated revenue by

accounting period. To ensure that cash and revenue are properly reflected, departments can also use Report NGA208W - Cash Received and Allocated, and Report NAR401W – Accounting Receivable Detail Transaction Activity.

Transactions that Collect and Transfer Cash

In MMARS, cash deposits (CDs) post funds to a department's sweep account. The cash receipt (CR) and the intercept document (IT) apply cash against receivable and/or transfer cash to a central revenue budget. When reconciling cash received, departments must take into account both the CR and IT transactions (discussed in detail below). The CR transaction that has an adjustment reason code of non-sufficient funds (NF) has reversed cash from the receivable back to the sweep account. Both the CR and the non-sufficient fund CR can be viewed in the M_GA_Accounting_Journal. Departments can query using Closing Classification Code 14 (collected earned revenue), pulling in the adjustment reason field, and entering "NSFCHECK" as the criteria to view non-sufficient fund CRs. This information is required in order to know which CR reversed cash due to insufficient funds.

Schools of Higher Education that book trust funds on their summary receivable and post cash using a Receipt of Trust (RT) against the summary receivable can query collected revenue by using the event type AR02.

For information on Expenditure Refund (ER) and Payroll Revenue Refund Voucher (PRRV) documents, see Section Three.

Electronic Payments (ePay)

Part of the Commonwealth's eGovernment Initiative includes a contract to facilitate electronic payment implementation by departments. The Statewide Contract for Electronic Payment Processing Services (PRF05designatedOSC) gives eligible Commonwealth entities the option to offer their customers a variety of payment methods. Our customers may pay for goods, services and other obligations via Automated Clearing House transactions (ACH,) credit cards (VISA, MasterCard, Discover and/or American Express), and PIN debit cards. The "ePay" transactions can be processed over the web, over the phone via Interactive Voice Response (IVR), or at the point of sale. CTR, with designation from OSD, administers the contract.

All eligible entities' transactions processed under this Statewide Contract will be included in the Commonwealth's purchasing totals, which with increased use may result in volume discounts for the Commonwealth. Executive Offices, Departments, Agencies, Offices, Divisions, Boards, Commissions, or Institutions within the Executive Branch are required to use this contract. The Legislative Branch, the Judicial Branch, the Constitutional Offices, Elected Offices, Public Institutions of Higher Education, and the Military Division are not required, but may choose to use this Statewide Contract. Cities, towns, municipalities and State Authorities may also choose use this Statewide Contract.

The vendors currently selected under this contract are:

1. EDS – who provides the Internet and IVR applications and access to the ACH banking network;
2. Bank of America (BoA) – who provides credit card processing for VISA, MasterCard, and Discover, and may also process American Express transactions; and
3. American Express (AMEX) – who can process their own credit card transactions without going through Bank of America.

Departments can choose which payment options they want to use; they are not required by the contract to offer all forms of payment or credit card types. In addition, the same Department may have different programs requiring different payment solutions, card types, etc., all of which can be accommodated. Each department is solely responsible for designating appropriated funds to pay for their transaction fee obligations.

All departments collecting Commonwealth revenue are required to comply with accounting standards established by the Comptroller to ensure that the revenue is properly accounted for and the collection methods comply with state finance law, including Payment Card Industry (PCI) Compliance and any additional banking requirements of the State Treasurer's Office. Departments that are collecting revenue electronically (that are not already working with the Electronic Payments Steering Committee) should contact CTR to verify compliance. Please contact [Patricia Davis](#), ePayment Program Coordinator.

Additional information on the contract is available at <http://www.comm-pass.com> by searching for PRF05designatedOSC. Or, contact Patricia Davis, ePay Program Coordinator, Revenue Unit, Office of the State Comptroller, One Ashburton Place, 9th floor, Boston, MA 02108, 617-973-2332.

Payment Card Industry Compliance (PCI) Initiative

In the past months, CTR has been working on Payment Card Industry (PCI) Data Security Standard (DSS) compliance. The PCI DSS is a mandatory compliance program of the major credit card associations to create common industry security requirements for cardholder data. The PCI DSS is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. This section provides information about our approach in meeting this challenge.

When accepting credit cards, each Commonwealth entity operates as a "merchant". All Commonwealth entities that process transmit, or store cardholder data must adhere to the standard. If your department accepts credit cards via any means (via mail, cashier window, swipe terminal, kiosk, telephone, or the web), adherence to these standards is mandatory.

The primary focus of the PCI standards is to help merchants (in our case, Commonwealth Departments) improve the safekeeping of cardholder information by tightening overall security. This overall review reduces the chances of experiencing security breaches, fraud, and potential catastrophic financial losses, penalties, and loss of trust in Commonwealth public facing applications. Merchants found to be non-compliant with the respective security requirements may be subject to substantial fines and penalties in the event of a data breach. More information about PCI Compliance can be found at <https://www.pcisecuritystandards.org/index.htm>.

During 2007, CTR formed a procurement management team with ITD and other departments. Recently, we finalized negotiations and signed contracts with two qualified vendors to provide consulting, validation, and network scanning services to Commonwealth entities -- Lighthouse Computer Services, Inc. (LCS) and Digital Resources Group, LLC (DRG). Both vendors are certified Qualified Security Assessors (QSAs) and Approved Scanning Vendors (ASVs).

The contract is a single department procurement/multi-department user contract, not a master service agreement. For audit purposes, the contract will be administered through CTR. Patricia Davis is the key contact for this office. She will manage the contract, work with departments and the vendors to schedule engagements, and provide guidance for task order development and approval. She may be reached at 617-973-2332.

In order to expedite the Commonwealth's PCI Compliance initiative, CTR is initially focusing on departments doing credit card business via the Statewide electronic payments contract. Merchant level determines priority. Departments at higher merchant levels (greater number of annual transactions) will be addressed first. For merchant level definitions, see http://usa.visa.com/merchants/risk_management/cisp_merchants.html. If your merchant bank contacts you regarding a compliance deadline, please contact Patricia Davis at CTR immediately.

Currently, we are in the Discovery Phase of the project for departments accepting credit cards via the statewide ePay contract. CTR will fund this phase of the project only. Any subsequent consulting, remediation, or quarterly scans will be funded by your department. Therefore, departments are highly encouraged to visit the links in this memo and begin to identify funding for this requirement on a go-forward basis. There is a wealth of information that will familiarize you with PCI compliance and its components.

It is of the utmost importance to have citizens feel secure about transacting electronic business with the Commonwealth. The PCI compliance initiative will enable us to ensure that we are doing all we can to protect our citizen's sensitive credit card information.

Section Eleven

GAAP and Fixed Assets

Section Introduction

This section outlines GAAP and fixed asset requirements for departments, as well as special instructions for Higher Education Institutions.

Generally Accepted Accounting Principles (GAAP)

Since FY1986, the Commonwealth has issued an audited Comprehensive Annual Financial Report (CAFR) with financial statements prepared according to Generally Accepted Accounting Principles (GAAP). Since FY1990, the CAFR has received unqualified opinions from the independent auditors, and the CAFRs for FY1990 through FY2006 have been awarded the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The FY2007 CAFR has also been submitted to the GFOA Certificate of Achievement Program. These GAAP-based CAFRs, and their recognition for excellence, are increasingly important to the financial community as a measure of the Commonwealth's fiscal responsibility. **The quality of CAFR financial information depends upon individual and department efforts to prepare timely and accurate GAAP reporting packages.**

The basic FY2008 department GAAP instructions will be issued by May 23rd. The GAAP reporting package is due back to CTR **by August 4th 2008**. Any department that submits their information after this deadline may be subject to an audit finding.

Encumbrance management practices will again be relied upon to provide the basis for most accounts payable reporting. Departments that prepare GAAP information beyond the basic GAAP Department reporting will be contacted individually to review and coordinate FY2008 special GAAP reporting.

As in prior years, separate GAAP Instructions will be published to provide a detailed walk-through of procedures and sample forms/reports to be used. Major points of emphasis will be:

- 1). Use of queries/CIW reports to support analysis of accounts receivable, allowances for uncollectible and deferred inflow of resources. Special assistance will be provided to departments with complicated reporting issues. All accounts receivable adjustments must be entered in MMARS by July 3, 2008 to facilitate the Accounts Receivable roll to FY2009.
- 2). Timely departmental review and update of HR/CMS data to support accurate compilation and audit of compensated absence accruals.
- 3). Use of the web-based GAAP reporting to improve data collection.

Fixed Assets

Departments that own fixed assets are responsible for recording all acquisitions, betterments, changes, transfers, and dispositions for GAAP fixed assets and for a physical inventory of non-GAAP fixed assets. Please refer to the [Fixed Asset policy page](#) of the CTR Web Portal for additional information.

- Departments should process all FA documents within seven days of the acquisition of the asset or FA "Shell" generation. In addition, departments are required to process any subsequent Fixed Asset related documents (FC, FD, FI or FM) in a timely manner. All Fixed Asset transactions must be done in MMARS by July 11, 2008. Any FY2008 transactions processed after July 11, 2008 will be recorded as FY2009 activity. There will be no Period 13 postings for Fixed Assets.
- The FC/FI documents require a CTR Work list approval. Copies of the FI/ FCs "Accounting Section" should be forwarded to Trish McKenna who can be reached at 617-973-2425. Supporting documentation must be submitted with any FI / FC.
- Non-GAAP Fixed Assets must be inventoried and controlled in accordance with the policy posted in the Policies/Procedures section.

The following reports have been added to the list of Fixed Asset Reports and are available to departments on View Direct and/or Document Direct.

List of Current Fiscal Year Fixed Asset Reports

NGA150WD	Fixed Asset Detail Report (A complete list of all GAAP & Non-GAAP assets)
NGA150WS	Fixed Asset Summary Report
NGA151WD	GAAP Fixed Asset Detail Report
NGA151WS	GAAP Fixed Asset Summary Report

Special Higher Education Reporting

Statutory Basis

In FY2008, MMARS detail by Institution for non-appropriated funds will again be included in the Commonwealth's Statutory Basis Financial Report (SBFR).

To meet the publication deadline of October 31st for the SBFR, institutions must:

- Complete the MMARS posting of FY2008 statutory basis non-appropriated receipts and disbursements by the end of July. After the close of period 12, special coordination with CTR will be required. . Departments should enter a document, coded with Accounting Period 13, 2008; then contact CTR for final processing.
- For Fund 0901, provide supplemental information for statutory accounts payable by August 4, 2008.
- On or before September 10th, submit fixed asset information and operating and capital lease information for the Commonwealth's SBFR. The fixed asset information should include the amount of fixed assets acquired from capital leases. This information will be disclosed in the notes to the audited financial statements of the Institution.
- All higher education institutions must submit the federal student loans schedules and the guaranteed student loan schedule by September 10, 2008.

By August 29th all FY2008 Higher Education activity through June 30, 2008 should be posted to MMARS. By September 5th, review MMARS BQ82 Table (Revenue) and BQ89 Table (Expenditures) to identify all revenues and expenditures in Funds 0900 and 0901. (See the [Higher Education Guidance](#) for further information.) This will provide the basis for final reconciliation between MMARS non-appropriated information and each institution's internal system. The due date for final reconciliation is September 10, 2008.

Delivery of Information

All institutions will issue FY2008 audited financial statements in accordance with AICPA-GAAP. These audited financial statements must be issued and received by the Comptroller's Office by October 15, 2008, with an unqualified opinion. The institution must meet the MMARS statutory reporting requirement financials, and a separate analysis related to the *Schedule of Federal Financial Assistance*. The reconciliation must be reviewed by the institution's independent auditors and noted in the footnotes to the financial statements. The [Higher Education Guidance](#) issued by the Comptroller's Office is still applicable.

Schedule of Key Dates – Higher Education

Date	Event
May 17, 2008	Preliminary HMBEN008 Compensated Absence Information (as of April 30) available on View Direct for review
July 18, 2008	Final HMBEN008 Compensated Absence Information Available on View Direct
August 4, 2008	Higher Education Statutory Accounts Payable (Fund 0901)
August 4, 2008	Higher Education Federal Financial Assistance Schedules Distribution
August 4, 2008	Fringe Re-imbursement Information (UMS only)
August 29, 2008	Complete posting Higher Education activity on MMARS
August 30, 2008	FY2008 Encumbrance Lapsing
September 5, 2008	Review Preliminary Revenue and Expenditures Tables
September 10, 2008	Completion of FY2008 Higher Education activity through June 30
September 10, 2008	Higher Education Fixed Asset and Lease Information
September 10, 2008	Higher Education Federal Financial Assistance Schedules Due
September 19, 2008	Review Final Revenue and Expenditures Tables
October 15, 2008	Higher Education Audited Financials Due

NEW GASB Statement 48 Implementation**

The Government Accounting Standards Board (GASB) has released Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, also largely applicable starting in FY2008.

The Commonwealth will be required to specially report on sales of future streams of revenues that it is entitled to. An assessment must be made if the Commonwealth will continue to be involved in the receivable due, even after a transfer based on the amount of residual control the Commonwealth may have. The difference in control is part of the determining factors of whether or not the transfer of revenues or receivables is a sale, resulting in a GAAP asset, or a collateralized borrowing, which results in a GAAP liability.

An asset is created from a sale if the Commonwealth's involvement in the future revenues or receivables is effectively terminated. Termination occurs if all of the following exist:

1. The buyer (transferee) of the revenues / receivables has the ability to resell those funds without Commonwealth involvement or restriction
2. The Commonwealth cannot substitute specific accounts receivable without the buyer's consent
3. The sale is not cancelable by the Commonwealth or the buyer
4. The sale is more than an "arms length" transaction.

More than an "arms length" transaction means that the buyer has to be a separate legal entity, including separate bank accounts that the Commonwealth cannot access. Furthermore, the buyer should be protected from any creditors who would attempt to attach those transferred receivables or revenues. Sales of future streams of revenues have similar provisions, but are largely not applicable to departments. Should these occur, please contact the Financial Reporting and Analysis Bureau immediately with the details. If the transfer does not fit to any of the previous criteria, then the transfer is a collateralized borrowing. These also should be very limited in occurrence and should be reported as well.

NEW GASB Statement 49 Implementation**

The Government Accounting Standards Board (GASB) has released Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, applicable starting in FY2008. **Questions are inserted in the GAAP package about any environmental or pollution remediation activities.**

The Commonwealth is required to estimate the component of expected pollution remediation costs and determine whether those components need to be accrued for GAAP purposes as a liability or capitalized as a fixed asset **if one of any of these five events occur:**

1. The Commonwealth is compelled to take pollution remediation action because of an imminent endangerment
2. The Commonwealth violates a pollution prevention – related permit or license
3. The Commonwealth is named, *or evidence indicates that it will be named*, by a regulator as a responsible party or *a potentially responsible party* for remediation, or as a government *sharing responsibility for costs*.
4. The Commonwealth is named, *or evidence indicates that it will be named*, in a lawsuit to compel participation in pollution remediation. Or,
5. The Commonwealth commences or legally obligates itself to commence pollution remediation.

All instances that meet any of these five criteria must be reported as part of the internal controls questionnaire and as part of the GAAP package. Depending on facts and circumstances, property involved with these costs may be bettered as a fixed asset or accrued as a liability. A policy and procedure will be out later in the spring on these costs and treatments.

FY2009 Opening

Generally Accepted Accounting Principles (GAAP)

GAAP reporting and Higher Education special reporting occurs at the end of the fiscal year. There are no special opening requirements.

Fixed Assets Reporting Departments Other Than Higher Education

MMARS fully supports the departmental entry of fixed asset documents (acquisitions, betterments, transfers, dispositions and modifications). The MMARS Fixed Asset acquisitions are fully integrated with Accounts Payable via a more robust use of commodity codes. Functionality includes: Automated depreciation, improved audit trails, enhanced Construction in Process accounting and linkage between all payments, partial or full, and its fixed assets.

MMARS provides a direct link between commodity-based purchases and the Fixed Asset acquisition. A payment (PRC payment request document) in MMARS that references a fixed asset sensitive commodity code and meets a certain dollar threshold automatically generates a pending fixed asset shell, to be completed by the department. In some instances, such as when a fixed asset is received through a donation or for the optional recording of a non-GAAP fixed asset, MMARS offers the opportunity to generate a fixed asset manually. The table below notes the fixed asset commodities and associated minimum capitalization thresholds where a fixed asset shell will be automatically generated after a payment is processed in MMARS.

Fixed Asset Commodities & Minimum Capitalization Thresholds

Commodity	Code	Minimum Capitalization Threshold
Building	B	\$100,000
Equipment	E	\$50,000
Works of Art / Historical Treasures / Monuments	H	\$50,000
Infrastructure	I	\$100,000
Computer Software < \$1 million but > \$50,000	K	\$50,000
Land	L	\$0.00
Software > \$1 million	S	\$1,000,000
Vehicles	V	\$50,000

Higher Education

If prearranged in advanced, and approved by the State Comptroller, Higher Education Institutions may choose not to record fixed assets on MMARS; as long as institutions issue separate and independent audits, completed and filed with the Office of the Comptroller on or before October 15th annually. These eligible institutions must have an auditable fixed assets system available for inspection by CTR. At a minimum, the system must be capable of tracking additions, betterments, changes, disposals, with gains and losses thereon; among other necessary requirements.

FY2008 and FY2009 GAAP Pronouncements to be Implemented

In FY2008 two GAAP Pronouncements will be implemented. The two are:

- GASB Statement 45 – *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*
- GASB Statement 48 – *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*

The Commonwealth has funded Post-employment Benefits Other Than Pensions (OPEB) costs in FY2008. Currently, the Commonwealth is debating the FY2009 budget. As OPEB affects fringe benefits rates, the Federal Cost Accounting Bureau will notify departments of changes to those rates made by OPEB upon enactment.

In FY2009, the Commonwealth will implement GASB Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The Office of the State Comptroller is currently working with departments in the Executive Office of Energy and Environmental Affairs, as well as other departments to ascertain these costs for proper reporting. In addition, should your department meet the criteria found in the section on GASB Statement 49 Implementation, please contact BJ Trivedi, Financial Reporting and Analysis Bureau Director immediately. In FY2009, the Commonwealth will also implement GASB Statement 52 – Land and Other Real Estate held as Investments by Endowments. This statement affects institutions of higher education foundations.